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V.S. INTERNATIONAL GROUP LIMITED

威鉞國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 1002)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE SEVENTEEN MONTHS PERIOD ENDED 31 DECEMBER 2024

HIGHLIGHTS

- Revenue increased by 212.86% to RMB239.15 million;
- Loss for the period attributable to owners of the Company was RMB16.09 million;
- Basic loss per share was 0.68 Renminbi cent.

The board (“**Board**”) of directors (“**Directors**”) of V.S. International Group Limited (“**Company**”) would like to announce the consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the seventeen months period ended 31 December 2024, prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), together with comparative figures for the previous financial year.

CONSOLIDATED INCOME STATEMENT

For the seventeen months period ended 31 December 2024

		Seventeen months period ended 31 December 2024 RMB'000	Year ended 31 July 2023 RMB'000
	<i>Note</i>		
Revenue		239,153	76,443
Cost of sales		<u>(204,676)</u>	<u>(64,932)</u>
Gross profit		34,477	11,511
Other income	4	5,735	4,517
Other losses – net	4	(17,692)	(9,337)
Distribution costs		(4,424)	(1,659)
General and administrative expenses		(67,722)	(28,789)
Gain on bargain purchase	6	47,475	–
Impairment loss on financial assets		<u>(13,312)</u>	<u>(27)</u>
Operating loss		(15,463)	(23,784)
Finance income		1,680	921
Finance costs		<u>(5,267)</u>	<u>(1,831)</u>
Finance costs – net	5(a)	<u>(3,587)</u>	<u>(910)</u>
Share of net profit of an associate accounted for using the equity method		4,094	2,402
Reversal of impairment on investment accounted for using the equity method		<u>9,179</u>	<u>–</u>
Loss before income tax	5	(5,777)	(22,292)
Income tax expenses	7	<u>(4,259)</u>	<u>(28)</u>
Loss for the period/year		<u>(10,036)</u>	<u>(22,320)</u>
Attributable to:			
Owners of the Company		(16,087)	(22,320)
Non-controlling interests		<u>6,051</u>	<u>–</u>
Loss for the period/year		<u>(10,036)</u>	<u>(22,320)</u>
Loss per share attributable to owners of the Company during the period/year (Renminbi cents)			
Basic and diluted	9	<u>(0.68)</u>	<u>(0.97)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

		At 31 December 2024 RMB'000	At 31 July 2023 RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		142,821	185,289
Right-of-use assets		44,953	13,065
Investment properties		455,900	–
Other receivables, deposits and prepayments	10	981	–
Deferred income tax assets		5,537	–
Financial asset at fair value through other comprehensive income		–	2,300
Investment accounted for using the equity method		–	10,365
		<u>650,192</u>	<u>211,019</u>
Current assets			
Inventories		86,037	8,057
Trade and other receivables, deposits and prepayments	10	73,208	26,226
Amounts due from related parties		–	948
Restricted bank balances		13,198	–
Cash and cash equivalents		53,632	85,457
		<u>226,075</u>	<u>120,688</u>
Total assets		<u><u>876,267</u></u>	<u><u>331,707</u></u>
EQUITY			
Capital and reserves			
Share capital		114,351	105,013
Share premium		310,099	306,364
Other reserves/(deficits)		87,005	(132,075)
Total equity attributable to owners of the Company		<u>511,455</u>	<u>279,302</u>
Non-controlling interests		<u>65,732</u>	–
Total equity		<u><u>577,187</u></u>	<u><u>279,302</u></u>

		At 31 December 2024	At 31 July 2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Loans from a director		18,321	–
Borrowings		4,649	–
Lease liabilities		11,659	–
Employee benefit obligations		2,824	–
Deferred income tax liabilities		<u>82,802</u>	<u>920</u>
		<u>120,255</u>	<u>920</u>
Current liabilities			
Trade and other payables	<i>11</i>	81,351	15,948
Contract liabilities	<i>11</i>	4,379	–
Loans from a director		10,382	35,108
Borrowings		64,803	–
Lease liabilities		6,149	–
Amounts due to related parties		4,307	429
Tax payable		<u>7,454</u>	<u>–</u>
		<u>178,825</u>	<u>51,485</u>
Total liabilities		<u>299,080</u>	<u>52,405</u>
Total equity and liabilities		<u>876,267</u>	<u>331,707</u>

Notes:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Board has resolved to change the financial year end date of the Company from 31 July to 31 December (*Note 2*). The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost basis, except for financial asset at fair value through other comprehensive income and investment properties, which is measured at fair value.

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

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

The Group has applied the following new standard and amendments to existing standards for the first time for their annual reporting period commencing 1 August 2023:

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

The standard and amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for the Group's reporting periods beginning on or after 1 August 2023 and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liabilities in a Sale and Leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 (Amendments)	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HK Int 5 (Amendments)	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The above new standards and amendments to existing standards do not expect to have a material impact on the consolidated financial statements of the Group. The Group will adopt the new standards and amendments to existing standards and interpretation when they become effective.

2 CHANGE OF FINANCIAL YEAR END DATE

On 9 August 2024, the Board has resolved to change the financial year end date of the Company from 31 July to 31 December. The current financial year end date of the Company is 31 December 2024 and the audited consolidated financial statements of the Company cover a period of seventeen months from 1 August 2023 to 31 December 2024. The comparative figures, however, cover a period of twelve months from 1 August 2022 to 31 July 2023, and hence are not directly comparable.

3 SEGMENT REPORTING

The chief operating decision-maker (“**CODM**”) has been identified as the most senior executive management of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM assesses the performance of single operating segment based on a measure of profit/loss adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs. The CODM assesses the performance of the following three reportable segments and regards them being the reportable segments. No operating segments have been aggregated to form the following reportable segments.

Plastic injection and moulding : manufacturing and sale of plastic moulded products and parts
 Assembling of electronic products : assembling and sale of electronic products, including processing fees generated from assembling of electronic products
 Mould design and fabrication : manufacturing and sale of plastic injection moulds

Revenue for the period/year consists of the following:

	Seventeen months period ended 31 December 2024 RMB'000	Year ended 31 July 2023 RMB'000
Revenue		
Plastic injection and moulding	114,397	52,247
Assembling of electronic products	120,611	20,026
Mould design and fabrication	4,145	4,170
	<u>239,153</u>	<u>76,443</u>
Timing of revenue recognition		
At a point in time	239,153	63,289
Over time	–	13,154
	<u>239,153</u>	<u>76,443</u>

The Group has a customer base which includes five (for the year ended 31 July 2023: four) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the seventeen months period ended 31 December 2024.

(a) Segment results, assets and liabilities

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

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. The measure used for reporting segment profit/loss is "segment result". To arrive at "segment result", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

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

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the seventeen months period ended 31 December 2024 and for the year ended 31 July 2023 is set out below.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	Seventeen months period ended	Year ended	Seventeen months period ended	Year ended	Seventeen months period ended	Year ended	Seventeen months period ended	Year ended
	31 December 2024	31 July 2023	31 December 2024	31 July 2023	31 December 2024	31 July 2023	31 December 2024	31 July 2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	<u>114,397</u>	<u>52,247</u>	<u>120,611</u>	<u>20,026</u>	<u>4,145</u>	<u>4,170</u>	<u>239,153</u>	<u>76,443</u>
Reportable segment result	<u>1,465</u>	<u>(6,260)</u>	<u>19,240</u>	<u>3,764</u>	<u>1,330</u>	<u>559</u>	<u>22,035</u>	<u>(1,937)</u>
Other segment information								
Depreciation and amortisation for the year	11,612	6,521	5,756	307	857	-	18,225	6,828
Impairment on property, plant and equipment	8,100	6,628	-	-	-	80	8,100	6,708
Impairment on right-of-use assets	1,288	558	-	-	-	-	1,288	558
Provision/(reversal of provision) for impairment of inventories	-	(183)	23	(216)	-	-	23	(399)
Additions to non-current segment assets during the period/year	<u>3,345</u>	<u>-</u>	<u>3,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,976</u>	<u>-</u>
At 31 December 2024/ 31 July 2023:								
Reportable segment assets	<u>165,682</u>	<u>123,945</u>	<u>133,373</u>	<u>1,756</u>	<u>6,993</u>	<u>5,985</u>	<u>306,048</u>	<u>131,686</u>
Reportable segment liabilities	<u>23,446</u>	<u>8,172</u>	<u>57,538</u>	<u>2,194</u>	<u>15</u>	<u>638</u>	<u>80,999</u>	<u>11,004</u>

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

	Seventeen months period ended 31 December 2024 <i>RMB'000</i>	Year ended 31 July 2023 <i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>239,153</u>	<u>76,443</u>
Consolidated revenue	<u><u>239,153</u></u>	<u><u>76,443</u></u>
Profit or loss		
Reportable segment profit/(loss)	22,035	(1,937)
Finance income	1,680	921
Finance costs	(5,267)	(1,831)
Share of net profit of an associate accounted for using the equity method	4,094	2,402
Reversal of impairment on investment accounted for using the equity method	9,179	–
Gain on bargain purchase	47,475	–
Fair value gain on step acquisition on investment accounted for using the equity method	2,270	–
Unallocated depreciation and amortisation	(9,517)	(6,630)
Unallocated impairment on property, plant and equipment	(15,828)	–
Unallocated head office and corporate expenses	<u>(61,898)</u>	<u>(15,217)</u>
Loss before income tax	<u><u>(5,777)</u></u>	<u><u>(22,292)</u></u>

	At 31 December 2024 <i>RMB'000</i>	At 31 July 2023 <i>RMB'000</i>
Assets		
Reportable segment assets	306,048	131,686
Deferred income tax assets	5,537	–
Financial asset at fair value through other comprehensive income	–	2,300
Investment accounted for using the equity method	–	10,365
Unallocated head office and corporate assets	108,782	187,356
Investment properties	455,900	–
	<u>876,267</u>	<u>331,707</u>
Consolidated total assets	<u>876,267</u>	<u>331,707</u>
Liabilities		
Reportable segment liabilities	80,999	11,004
Deferred income tax liabilities	82,802	920
Unallocated head office and corporate liabilities	135,279	40,481
	<u>299,080</u>	<u>52,405</u>
Consolidated total liabilities	<u>299,080</u>	<u>52,405</u>

(c) **Revenue by geographical locations**

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

	Seventeen months period ended 31 December 2024 <i>RMB'000</i>	Year ended 31 July 2023 <i>RMB'000</i>
United States of America	160,266	–
Mainland China	37,892	63,076
South East Asia	26,699	73
Europe	13,586	–
Hong Kong	710	13,294
	<u>239,153</u>	<u>76,443</u>
	<u>239,153</u>	<u>76,443</u>

4 OTHER INCOME AND OTHER LOSSES – NET

	Seventeen months period ended 31 December 2024 <i>RMB'000</i>	Year ended 31 July 2023 <i>RMB'000</i>
Other income		
Sales of scrap materials	630	214
Government subsidy	13	3,290
Rental income	1,143	–
Sundry income	<u>3,949</u>	<u>1,013</u>
	<u>5,735</u>	<u>4,517</u>
Other losses - net		
Impairment on property, plant and equipment	(20,150)	(6,708)
Impairment on right-of-use assets	(515)	(558)
Net foreign exchange gains	807	158
Gain on disposal of property, plant and equipment and right-of-use assets	308	2,001
Net loss on property, plant and equipment and right-of-use assets written off	(412)	(4,230)
Fair value gain on step acquisition on investment accounted for using the equity method	<u>2,270</u>	<u>–</u>
	<u>(17,692)</u>	<u>(9,337)</u>

5 LOSS BEFORE INCOME TAX

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

(a) Finance costs – net

	Seventeen months period ended 31 December 2024 RMB'000	Year ended 31 July 2023 RMB'000
Finance income		
Bank interest income	<u>(1,680)</u>	<u>(921)</u>
Finance costs		
Interest on bank borrowings	2,140	–
Interest on loans from a director	2,169	1,764
Interest expenses on lease liabilities	<u>883</u>	<u>–</u>
	5,192	1,764
Other finance charges	<u>75</u>	<u>67</u>
	<u>5,267</u>	<u>1,831</u>
Finance costs – net	<u>3,587</u>	<u>910</u>

(b) Other items

	Seventeen months period ended 31 December 2024 RMB'000	Year ended 31 July 2023 RMB'000
Auditors' remuneration		
– Audit services	2,078	1,493
– Non-audit services	2,914	64
Legal and professional fee	5,885	2,422
Cost of sales (<i>Note</i>)	204,676	64,932
Impairment loss on financial assets	13,312	27
Depreciation on property, plant and equipment	24,733	12,810
Depreciation on right-of-use assets	3,009	648
Expenses relating to short-term leases	2,637	1,495
Provision/(reversal of provision) for impairment of inventories	23	(399)
Staff costs	<u>63,477</u>	<u>26,013</u>

Note:

Cost of sales included staff costs, depreciation, provision for impairment of inventories and expenses relating to short-term leases, amounting to RMB45,270,000 (for the year ended 31 July 2023: RMB12,408,000) in aggregate, which are also included in the respective total amounts disclosed separately above for each type of the expenses. It also included impairment on certain property, plant and equipment, and right-of-use assets totaling RMB4,551,000.

6 STEP ACQUISITION OF VS INDUSTRY VIETNAM JOINT STOCK COMPANY

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

In order to expand the customer base and product offering of the Group, on 21 February 2024, V.S. Holding Vietnam Limited entered into a sales and purchase agreement with B&E Holding Limited to acquire approximately 43.29% equity interest in VS Vietnam at a total cash consideration of HK\$12,000,000 (equivalent to RMB11,009,000) and issuance of approximately 204 million number of share consideration totaling HK\$14,250,000 (equivalent to RMB13,073,000) at prevailing market price.

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

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

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

A gain on bargain purchase of approximately RMB47,475,000 was recorded in consolidated income statement, as a result of the difference between the fair value of the consideration and the fair value of the net assets acquired, which are the fair value of the purchase identifiable assets acquired and liabilities assumed to their values with reference to the valuation report carried out by Roma Appraisals Limited.

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

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

	<i>RMB'000</i>
Consideration:	
Cash consideration	11,009
Share consideration	13,073
Fair value of equity interests previously held by the Group	<u>25,941</u>
Fair value of total consideration	<u>50,023</u>
The fair value of assets and liabilities recognised as a result of the acquisition are as follows:	
Property, plant and equipment	131,973
Right-of-use assets	46,907
Inventories	75,130
Trade and other receivables, deposits and prepayments	62,882
Cash and cash equivalents	37,776
Restricted bank balances	13,099
Borrowings	(84,767)
Loans from a director	(20,140)
Trade and other payables	(76,541)
Lease liabilities	(20,128)
Deferred tax liabilities	(4,882)
Others	<u>(4,130)</u>
Net identifiable assets acquired	157,179
Non-controlling interest	(59,681)
Gain on bargain purchase	<u>(47,475)</u>
Net assets acquired	<u><u>50,023</u></u>

7 INCOME TAX EXPENSES

	Seventeen months period ended 31 December 2024 RMB'000	Year ended 31 July 2023 RMB'000
Current income tax		
Current PRC corporate income tax	(467)	(51)
Current Vietnam corporate income tax	(5,368)	–
Adjustment to provision in respect of prior years	----- –	----- 27
	(5,835)	24
Deferred income tax		
Origination and reversal of temporary differences	----- 1,576	----- (4)
	<u>(4,259)</u>	<u>(28)</u>

No provision has been made for Hong Kong profits tax as the Group did not earn income subject to Hong Kong profits tax during the seventeen months period ended 31 December 2024 and for the year ended 31 July 2023.

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

The Group's subsidiaries established in the Vietnam are subject to a corporate income tax rate of 20%.

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

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

8 DIVIDENDS

No dividend has been paid or declared by the Company for the seventeen months period ended 31 December 2024 and for the year ended 31 July 2023.

9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period/year attributable to owners of the Company of RMB16,087,000 (for the year ended 31 July 2023: RMB22,320,000) and the weighted average number of ordinary shares in issue during the period/year as follows:

	Seventeen months period ended 31 December 2024	Year ended 31 July 2023
Loss for the period/year attributable to owners of the Company (RMB'000)	<u>(16,087)</u>	<u>(22,320)</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,373,375</u>	<u>2,307,513</u>
Basic and diluted loss per share (RMB cents)	<u>(0.68)</u>	<u>(0.97)</u>

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

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December 2024 RMB'000	At 31 July 2023 RMB'000
Trade receivables	70,422	12,346
Less: Loss allowance	<u>(781)</u>	<u>(44)</u>
Trade receivables – net	69,641	12,302
Other receivables, deposits and prepayments	4,548	13,924
Less: non-current portion	<u>(981)</u>	<u>–</u>
Total trade and other receivables, deposits and prepayments (current)	<u>73,208</u>	<u>26,226</u>

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

	At 31 December 2024 RMB'000	At 31 July 2023 RMB'000
Up to 3 months	52,908	11,845
3 to 6 months	16,355	501
Over 6 months	1,159	–
	<u>70,422</u>	<u>12,346</u>

Credit terms granted by the Group to customers generally range from 30 to 120 days. The Group does not hold any collaterals from customer.

11 TRADE AND OTHER PAYABLES

	At 31 December 2024 RMB'000	At 31 July 2023 RMB'000
Trade payables	52,767	7,456
Accrued expenses and other payables (Note(a))	28,172	8,329
Payables for the purchase of property, plant and equipment	–	38
Contract liabilities (Note(b))	4,379	–
Deposits received	412	125
	<u>85,730</u>	<u>15,948</u>

Notes:

- (a) The accrued expenses and other payables primarily include accrued staff costs, accrued transportation costs, interest payables and value-added tax payables.
- (b) Contract liabilities include receipts in advance from customers.

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

	At 31 December 2024 RMB'000	At 31 July 2023 RMB'000
Less than 1 month	44,331	3,275
1 month to 3 months	8,182	3,327
More than 3 months	254	854
	<u>52,767</u>	<u>7,456</u>

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

OVERVIEW

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

On 9 August 2024, the Company has resolved to change the financial year end date of the Company from 31 July to 31 December. Accordingly, the audited consolidated financial statements of the Company cover a period of seventeen months from 1 August 2023 to 31 December 2024, while the comparative figures cover a period of twelve months from 1 August 2022 to 31 July 2023, and hence are not directly comparable. The difference in duration of the two financial periods should be considered when making year-on-year comparisons.

FINANCIAL REVIEW

The Group recorded a revenue of RMB239.15 million for the seventeen months period ended 31 December 2024, representing an increase of RMB162.71 million or 212.86% as compared to RMB76.44 million for the year ended 31 July 2023. Gross profit for the period increased from RMB11.51 million for the year ended 31 July 2023 to RMB34.48 million. The gross profit margin dropped from 15.06% to 14.42%.

The Group’s operating expenses, composed of distribution costs and general and administrative expenses, increased from RMB30.45 million to RMB72.15 million, an increase of RMB41.70 million as compared to the year ended 31 July 2023. The Group recorded a loss attributable to owners of the Company of RMB16.09 million as compared to RMB22.32 million for the year ended 31 July 2023.

Plastic injection and moulding business

The Group recorded a revenue of RMB114.40 million for this segment, representing an increase of RMB62.15 million or 118.95% as compared to RMB52.25 million for the year ended 31 July 2023 due to the consolidation of financial results of VS Vietnam from 16 July 2024 upon completion of the Acquisition.

Assembling of electronic products business

This segment recorded a revenue of RMB120.61 million, representing an increase of RMB100.59 million or 502.45% from RMB20.02 million for the year ended 31 July 2023 due to the consolidation of financial results of VS Vietnam from 16 July 2024 upon completion of the Acquisition.

Mould design and fabrication business

The mould design and fabrication segment recorded a revenue of RMB4.14 million, representing slight decrease of RMB0.03 million or 0.72% as compared to RMB4.17 million for the year ended 31 July 2023.

Distribution costs

Distribution costs amounted to RMB4.42 million, representing an increase of RMB2.76 million or 166.27% as compared to RMB1.66 million for the year ended 31 July 2023. The increase in distribution costs was mainly due to the increase in commission.

General and administrative expenses

General and administrative expenses amounted to RMB67.73 million, representing a significant increase of RMB38.94 million or 135.26% as compared to RMB28.79 million for the year ended 31 July 2023. The increase was primarily due to the increase in employee termination benefits of RMB7.42 million and legal and professional fee for the Acquisition of RMB3.46 million during the period.

Other losses – net

During the period, the Group recorded other net losses of RMB17.69 million as compared to RMB9.34 million for the year ended 31 July 2023, which comprised mainly net foreign exchange gains of RMB0.81 million, net gain on disposal of property, plant and equipment (“PPE”) and right-of-use assets (“ROU”) of RMB0.31 million and fair value gain on step acquisition on investment accounted for using the equity method of RMB2.27 million which were offset by a provision of impairment of RMB20.15 million on PPE, a provision of impairment of RMB0.52 million on ROU, and net loss on PPE and ROU written off of RMB0.41 million, which mainly included the costs of disposal and written off of PPE and ROU.

Finance costs – net

The net finance costs for the period amounted to RMB3.59 million (for the year ended 31 July 2023: RMB0.91 million). The increase was mainly due to higher interest-bearing borrowings during the seventeen months period ended 31 December 2024.

Share of net profit of an associate accounted for using the equity method

The Group’s share of net profit of an associate accounted for using the equity method of RMB4.09 million (for the year ended 31 July 2023: RMB2.40 million) was solely attributed to profit recorded from its associate, i.e. VS Vietnam, before completion of the Acquisition.

Reversal of impairment on investment accounted for using the equity method

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

Gain on bargain purchase

During the period, the Group completed the acquisition of VS Vietnam, the resulted gain on bargain purchase amounted to RMB47,475,000 represents the difference between the fair value of the consideration paid to the seller and the net identifiable assets in VS Vietnam.

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 December 2024, the Group had cash and cash equivalents and restricted bank balances of RMB66.83 million (31 July 2023: RMB85.46 million), of which RMB13.20 million (31 July 2023: nil) was pledged to banks for the facilities granted to the Group. 58.07%, 35.18% and 5.62% of cash and cash equivalents and restricted bank balances are denominated in United States dollars (“USD”), Renminbi (“RMB”) and Vietnamese Dong (“VND”), respectively.

As at 31 December 2024, the Group had outstanding interest-bearing borrowings including lease liabilities and loans from a director of RMB115.96 million (31 July 2023: RMB35.11 million). The total borrowings including lease liabilities and loans from a director were denominated in USD (73.63%), VND (16.56%), HK\$ (6.78%) and SGD (3.03%), and the maturity profile is as follows:

Repayable	As at 31 December 2024		As at 31 July 2023	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Within one year	81.33	70.14	35.11	100.00
After one year but within two years	28.12	24.25	–	–
After two years but within five years	6.51	5.61	–	–
Total borrowings including lease liabilities and loans from a director	115.96	<u>100.00</u>	35.11	<u>100.00</u>
Cash and cash equivalents and restricted bank balances	<u>(66.83)</u>		<u>(85.46)</u>	
Net borrowings including lease liabilities and loans from a director/(cash and cash equivalents and restricted bank balances)	<u>49.13</u>		<u>(50.35)</u>	

As at 31 December 2024, the Group's net current assets were RMB47.25 million (31 July 2023: RMB69.20 million).

The gearing ratio is calculated as the Group's net borrowings at the end of the financial period divided by total capital at the end of the financial period. Net borrowings of the Group is calculated as its total borrowings including lease liabilities and loans from a director less cash and cash equivalents and restricted bank balances. Total capital is calculated as total equity attributable to owners of the Company plus net borrowings including lease liabilities and loans from a director. The gearing ratio of the Group was 8.76% as at 31 December 2024.

CAPITAL STRUCTURE

As at 31 December 2024, the Group's total equity attributable to owners of the Company was RMB511.46 million (31 July 2023: RMB279.30 million). Total assets of the Group amounted to RMB876.27 million (31 July 2023: RMB331.71 million), 21.43% (31 July 2023: 59.80%) of which comprised PPE and ROU.

CHARGES ON GROUP ASSETS

As at 31 December 2024, the Group's secured banking facilities, including trade finance, overdrafts and bank loans, totaling RMB117.14 million (31 July 2023: nil) were secured by (i) restricted bank balances of the Group of RMB13.20 million (31 July 2023: nil); (ii) the building of the Group, net book value of which amounted to RMB46.76 million (31 July 2023: nil); (iii) PPE of the Group, net book value of which amounted to RMB44.47 million (31 July 2023: nil); and (iv) land use rights of the Group, net book value of which amounted to RMB2.78 million (31 July 2023: nil).

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

Save as the Acquisition disclosed above, the Group did not conduct any significant investments, material acquisitions or disposals during the financial period. The Group has been streamlining its operation over the years with an aim to improve the Group's financial position by adopting a light asset operation and lower geared structure and higher liquidity. The Group will explore new market opportunities and expand its business portfolio, aiming to enrich its income streams and maintain steady business growth.

SIGNIFICANT INVESTMENTS HELD

During the seventeen months ended 31 December 2024, the Group did not hold any significant investment in equity interest in any other company.

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE EXPOSURE

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

During the period, the Group has made net foreign exchange gain of RMB0.81 million (for the year ended 31 July 2023: RMB0.16 million) mainly due to the unrealised and realised foreign exchange gain.

Most of the Group's sales transactions are denominated in RMB, VND and USD and certain payments of the Group were made in RMB, VND and USD. In view of fluctuations of the RMB against the USD and VND 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 and VND.

As at 31 December 2024, if RMB had weakened/strengthened by 5% against USD, with all other variables held constant, post-tax loss for the period would have been approximately RMB1,092,000 lower/higher (as at 31 July 2023: post-tax loss for the year would have been approximately RMB859,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of financial assets and liabilities denominated in currencies other than the functional currency of the respective group entities.

As at 31 December 2024, if RMB had weakened/strengthened by 5% against HK\$, with all other variables held constant, post-tax loss for the period would have been approximately RMB336,000 higher/lower (as at 31 July 2023: post-tax loss for the year would have been approximately RMB140,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of financial assets and liabilities denominated in currencies other than the functional currency of the respective group entities.

At 31 December 2024, if RMB had weakened/strengthened by 5% against VND, with all other variables held constant, post-tax loss for the year would have been approximately RMB1,785,000 higher/lower (as at 31 July 2023: nil), 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.

At 31 December 2024, if RMB had weakened/strengthened by 5% against SGD, with all other variables held constant, post-tax loss for the year would have been approximately RMB141,000 higher/lower (as at 31 July 2023: nil), 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 December 2024, the Group had a total of 1,033 employees (31 July 2023: 160). During the period, the Group did not make significant change to the Group's remuneration policies. Human resources expenses of the Group (excluding Directors' remuneration but including employee termination benefits) for the period amounted to RMB55.65 million (for the year ended 31 July 2023: RMB20.58 million). The increase in human resources expenses was mainly due to the increase in the employee termination benefits and acquisition of VS Vietnam during the period. The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resources market and the general outlook of the economy. The Group's employees are rewarded in tandem with their performance and experience. The Group recognises that the improvement of employees' technical knowledge, welfare and wellbeing is essential to attract and retain quality and dedicated employees in support of future growth of the Group.

DIVIDENDS

The Board does not recommend any dividend payment for the seventeen months period ended 31 December 2024 (for the year ended 31 July 2023: nil).

FUTURE PROSPECTS AND CHALLENGES

The Group will continue to streamline its operation and formulate a stronger financial position and lower geared structure and higher liquidity. By way of adopting a light assets and cost model, the Group should be able to improve its operational flexibility, reduce its debts and minimise the adverse impact on the business operation. In addition, the Group is looking into way to lease of the existing-investment properties.

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. The Company did not hold any treasury shares during the seventeen months ended 31 December 2024.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual financial results for the seventeen months ended 31 December 2024 and is of the opinion that such statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

EVENTS AFTER THE REPORTING DATE

There were no other significant events affecting the Company nor any of its subsidiaries after the reporting date as at 31 December 2024 requiring disclosure in this results announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions ("**Code Provisions**") of the Corporate Governance Code ("**CG Code**") as set out in Appendix C1 to the Listing Rules throughout the seventeen months period ended 31 December 2024 except for the deviation from Code Provision C.2.1 in respect of segregation of the roles of chairman and chief executive officer.

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

COMPLIANCE WITH APPENDIX C3 TO THE LISTING RULES

The Company has adopted a securities dealing code (“**SD Code**”) regarding the dealings of the Directors and members of the senior management of the Group in securities of the Company, on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period with the SD Code and Appendix C3 to the Listing Rules throughout the seventeen months period ended 31 December 2024.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and the related notes thereto for the seventeen months period ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the seventeen months period ended 31 December 2024. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation and gratitude to the Company's shareholders, bankers, customers, suppliers, business associates and regulatory authorities for their confidence and continuous support to the Group. I also wish to take this opportunity to thank my fellow Directors, the management team, staff and employees for their full commitment, loyalty and dedication to the Group, which enabled us to overcome the challenges encountered during the seventeen months period ended 31 December 2024.

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

Johor Bahru, Malaysia
20 March 2025

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

Executive Directors:

Mr. Beh Kim Ling

Mr. Beh Chern Wei

Mr. Zhang Pei Yu

(Ms. Beh Hwee Sze as his alternate)

Independent non-executive Directors:

Mr. Tang Sim Cheow

Ms. Fu Xiao Nan

Mr. Wan Mohd Fadzmi