



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)



Annual Report
2014/15



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Corporate Profile

V.S. International Group Limited (“Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacturing and sale of plastic moulded products and parts, assembling of electronic products and moulds design and fabrication.

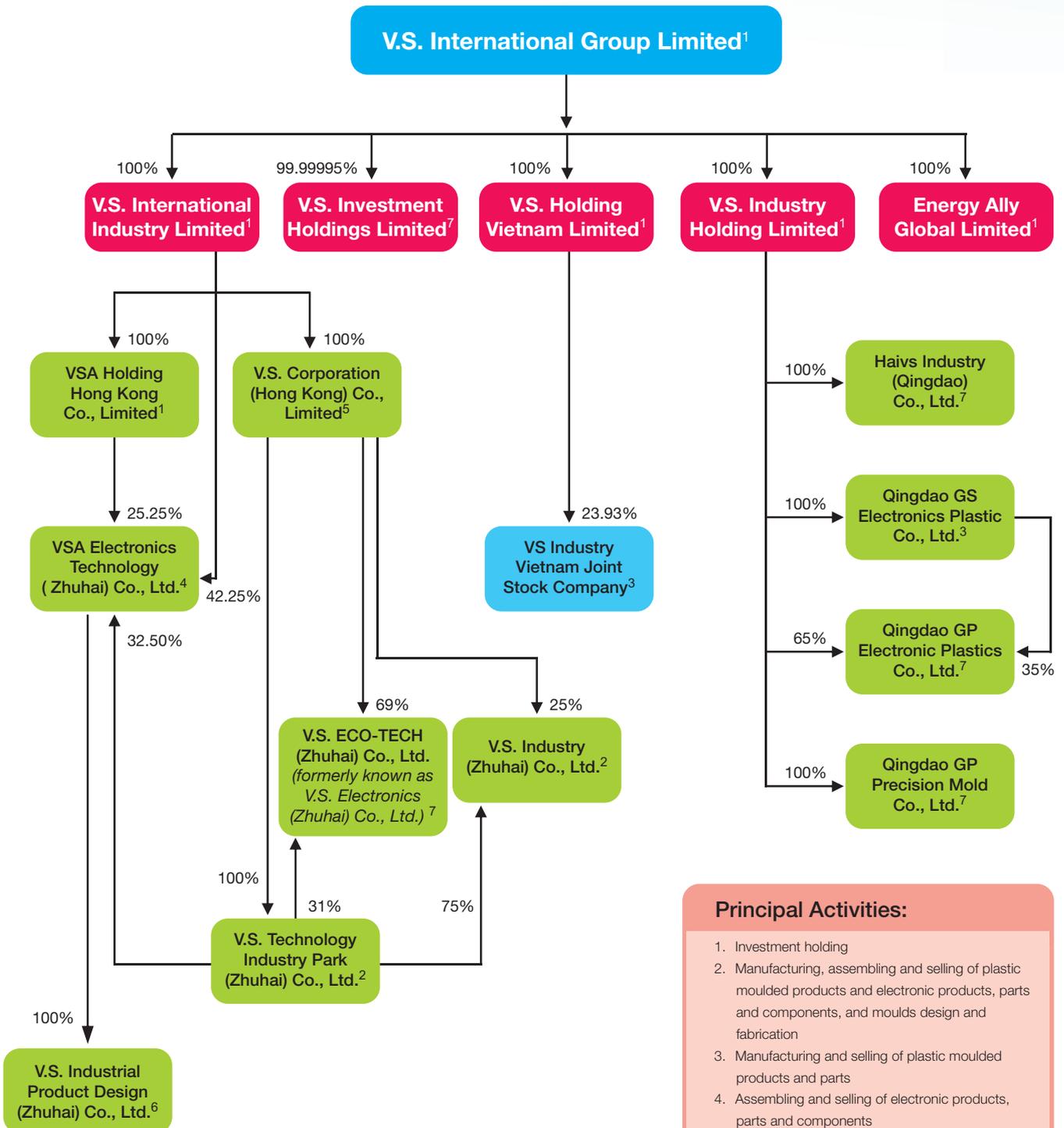
The Group commenced its business in 1997 in Shenzhen, the People’s Republic of China (“PRC”) and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) in February 2002. The Company is a subsidiary of V.S. Industry Berhad, a company incorporated in Malaysia with limited liability, the shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

Currently, the Group has two main production facilities in the PRC, located at Zhuhai and Qingdao. Further, the Group has ventured into Vietnam to emerge as one of the major plastic moulded products suppliers across the region.

The Group has continued to sharpen its competitive edge by extensively developing its services as an integrated manufacturing provider and one-stop customer solution services provider. The Group also devotes its efforts in achieving its ultimate goal of becoming a leading integrated electronics manufacturing service (“EMS”) provider in the PRC.

Corporate Structure

As of 26 September 2015



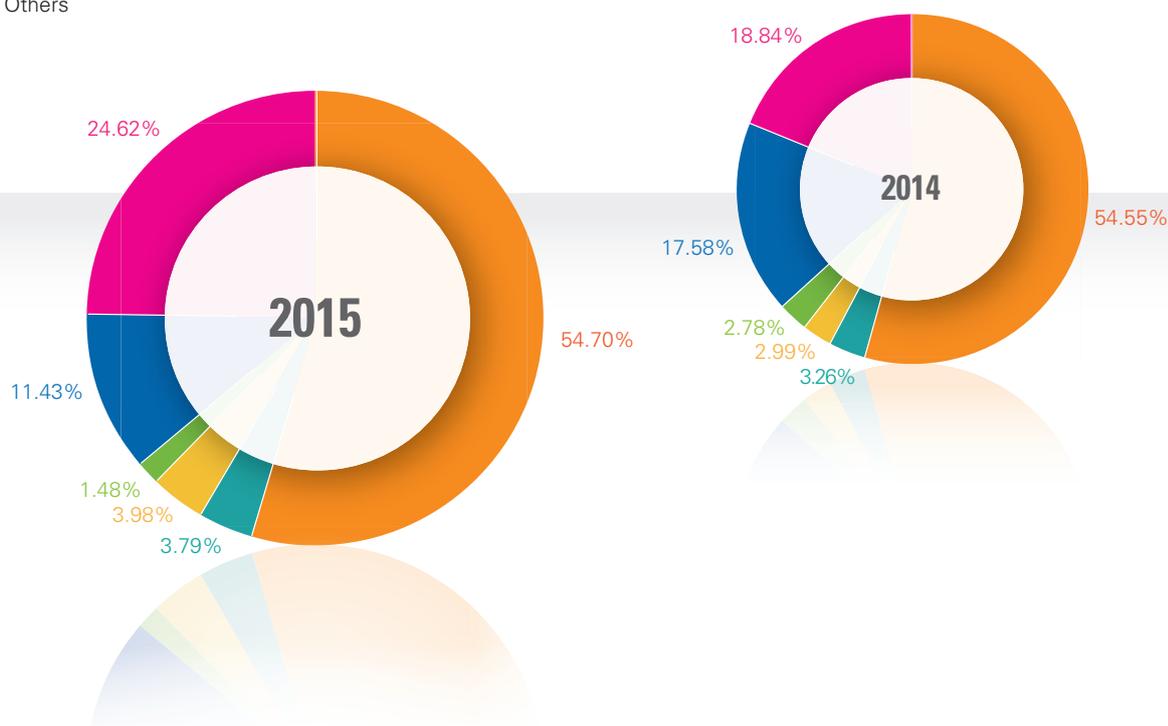
- Principal Activities:**
1. Investment holding
 2. Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components, and moulds design and fabrication
 3. Manufacturing and selling of plastic moulded products and parts
 4. Assembling and selling of electronic products, parts and components
 5. Trading of electronic products, parts and components, and investment holding
 6. Product design and trading of electronic products, parts and components
 7. Dormant

Financial Highlights

Key Financial Data	2015	2014	2013	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total equity	535,143	408,991	416,896	401,067	471,206
Total assets	1,179,312	1,237,749	1,206,679	1,365,444	1,728,365
Net borrowings	234,151	335,391	336,200	443,239	540,491
Capital expenditure	44,993	21,122	12,082	31,146	26,996
Gearing ratio (net) (%)	19.85%	27.10%	27.86%	32.46%	31.27%
Finance costs over turnover (%)	1.48%	1.62%	1.89%	2.37%	2.44%
Inventory turnover days	47	53	41	38	60
Trade and bills receivable turnover days	79	81	77	74	83
Trade and bills payable turnover days	75	76	76	64	79

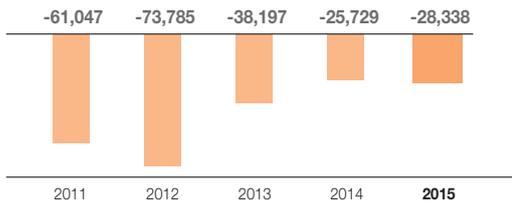
Sales Breakdown by Geographical Locations

- Mainland China
- Hong Kong
- South East Asia
- Europe
- United States of America
- Others



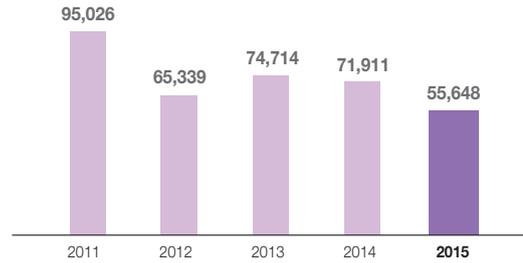
Financial Highlights

Loss Attributable to Equity Holders (HK\$'000)

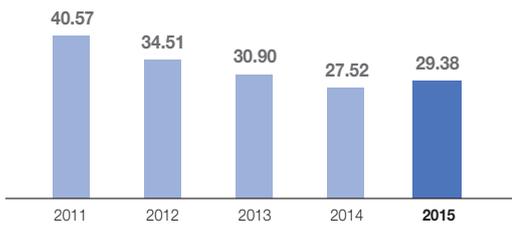


EBITDA (HK\$'000)

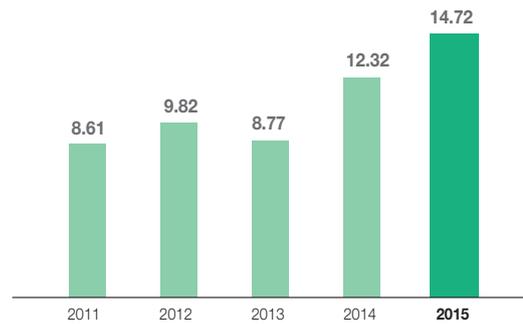
(Earnings before interest, tax, depreciation and amortisation)



Net Tangible Assets Per Share (HK cents)



Gross Profit Margin (%)



Sales Breakdown by Business Segments

(HK\$'000)



(HK\$'000)	2015	2014	2013	2012	2011
Plastic injection and moulding	685,744	782,249	729,805	924,118	952,473
Assembling of electronic products	400,748	502,192	430,904	488,934	578,528
Mould design and fabrication	85,259	86,230	59,923	100,047	98,533

Chairman's Statement

Dear Shareholders

On behalf of the board ("Board") of directors ("Directors"), I hereby present the Company's annual report ("Annual Report") together with the consolidated financial statements of the Group for the financial year ended 31 July 2015.

BUSINESS REVIEW

In the past several years, the Group has been implementing its business strategy to focus at higher value added products. In particular, the Group has launched its own original design manufacturer ("ODM") products in prior year which has contributed significantly to the improvement in gross profit margin.

During the year, the Group generated HK\$95.19 million cash flow from operations and raised net proceeds of HK\$146.16 million from the issuance of new shares. The net cash inflow has enabled the Group to further reduce the bank borrowings by HK\$118.59 million from HK\$449.95 million as at 31 July 2014 to HK\$331.36 million as at 31 July 2015. The Group's working capital has significantly improved from HK\$2.63 million as at 31 July 2014 to HK\$17.63 million as at 31 July 2015.



FINANCIAL HIGHLIGHTS

The Group's turnover for the financial year was HK\$1,171.75 million as compared to HK\$1,370.67 million in the previous financial year, representing a decrease of 14.51%. However, the Group's gross profit margin increased from 12.32% to 14.72% and the Group's gross profit increased from HK\$168.83 million to HK\$172.49 million. Loss attributable to equity holders increased to HK\$28.34 million as compared HK\$25.73 million in the previous financial year.

DIVIDENDS

The Board does not recommend any payment of dividend for the financial year ended 31 July 2015 (2014: nil) at the forthcoming annual general meeting of the Company.

CORPORATE DEVELOPMENT

On 14 November 2014, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent, up to 266,680,000 placing shares at the placing price of HK\$0.45 per placing share. The aggregate 266,680,000 placing shares represent approximately 17.89% of the then issued share capital of the Company at the date of the agreement. The placement was completed on 9 December 2014. The net proceeds from the placement of approximately HK\$117.19 million was applied to the general working capital of the Group and prepayment for proposed acquisition of a new project.

Chairman's Statement

On 10 February 2015, the Company entered into separate subscription agreements with each of the two subscribers pursuant to which, the subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 53,000,000 new shares at the share subscription price of HK\$0.55 per share. The aggregate of 53,000,000 subscription shares represent approximately 3.00% of the existing issued share capital of the Company at the date of the agreement. The subscription was completed on 9 March 2015. The net proceeds from the subscription of approximately HK\$28.97 million was applied to the general working capital of the Group.

On 5 February 2015, the Group entered into an acquisition agreement to acquire from a third party a 20% equity interest of a company involving in a solar energy project in Inner Mongolia for a consideration of RMB44,000,000 (approximately HK\$55,000,000). Pursuant to such agreement (as supplemented), upon completion of the acquisition of the 20% equity interest, the Group will 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 and subject to the fulfilment of certain conditions set out therein. As at 31 July 2015, a prepayment of RMB34,000,000 (approximately HK\$42,500,000) had been paid.

On 16 April 2015, the Group entered into another acquisition agreement (which was subsequently supplemented) to acquire from a third party the entire equity interest of a company involving in solar energy projects in Zhuhai for a consideration of RMB20,000,000 (approximately HK\$25,000,000), and upon completion, the Group would be required to inject additional capital of RMB40,000,000 (approximately HK\$50,000,000) to the target company. As at 31 July 2015, a prepayment of RMB33,000,000 (approximately HK\$41,193,000) had been paid.

As at 31 July 2015, both of these acquisitions have not yet been completed as certain major conditions precedent stipulated in these conditional acquisition agreements, including the obtainment of relevant legal and regulatory approval and the commencement of the solar power plants' operations, have not been fulfilled.



FUTURE PROSPECTS AND CHALLENGES

In view of the uncertainty of the global economy and slowdown of economic development in China, the Group has been operating under an extremely challenging and competitive environment. Against this backdrop, the Group has been looking for suitable opportunities to diversify its income and asset base to enhance Shareholders' value. Thus, on 5 February 2015, the Company announced that one of its wholly-owned subsidiaries had entered

into a conditional acquisition agreement to acquire 20% equity interest in a company holding a solar power plant project in the Inner Mongolia Region, the PRC, with an option to acquire the remaining 80% equity interest in the company. Further details in relation such acquisition are set out in the announcements of the Company dated 5 February 2015, 23 March 2015 and 3 August 2015. Further, as set out in the Company's announcement dated 16 April 2015, a subsidiary of the Company entered into another agreement on 16 April 2015 pursuant to which the subsidiary conditionally agreed to acquire the entire equity interest in another company which is developing solar plant projects in Zhuhai, the PRC. Further details in relation to such acquisition are set out in the announcements of the Company dated 16 April 2015 and 6 July 2015. The acquisitions provided the Group with investment opportunities to tap into the solar energy industry, which are expected to generate revenue and stable cashflow to the Group.

Chairman's Statement

For existing operation, the Group will continue to focus on improving its production efficiency and productivity as well as realignment of its product lines to improve its profitability. In addition, the Group will continue to develop and increase its own ODM products which are expected to contribute positively to the performance of the Group.



ACKNOWLEDGEMENT AND 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 year.

By order of the Board

V.S. International Group Limited

Beh Kim Ling

Chairman

Management Discussion and Analysis of Results of Operations

INDUSTRY OVERVIEW

The global economic uncertainty, downturn of the oil and gas industry, depressed prices of commodities deflationary economic pressure have in general impacted consumer confidence globally. Coupled with the slowdown in China economic development, the demand of consumers' electronic products will continue to be pressured. As such, the outlook of the industry in the foreseeable future remains challenging.

FINANCIAL REVIEW

Turnover, Gross Profit and Segment Results

During the year, the Group recorded a turnover of HK\$1,171.75 million, representing a decrease of HK\$198.92 million or 14.51% from HK\$1,370.67 million in the previous year. The major contributor of the Group's turnover was still its plastic injection and moulding division which accounted for 58.52% (2014: 57.07%) of the Group's turnover, and the remaining from assembling of electronic products and mould design and fabrication divisions which accounted for 34.20% (2014: 36.64%) and 7.28% (2014: 6.29%) of the Group's turnover respectively.

In line with the Group's two-pronged strategy of focusing on higher value added products and developing its own ODM products, gross profit increased by HK\$3.66 million and recorded at HK\$172.49 million representing 14.72% of its turnover during the financial year as compared to gross profit of HK\$168.83 representing 12.32% of its turnover in the previous year.



Plastic Injection and Moulding

The decline in sales orders from certain major customers during the financial year has directly impacted the business of plastic injection and moulding, which recorded a turnover of HK\$685.74 million, representing a decrease of HK\$96.51 million or 12.34% from HK\$782.25 million in the previous year.

The Group's operation in Zhuhai was still the main contributor and has contributed a turnover of HK\$389.10 million as compared to HK\$459.61 million in the previous year. Meanwhile, the Group's operation in Qingdao recorded a turnover of HK\$296.64 million during the financial year, which represented a decrease of 8.06% from HK\$322.64 million in the previous financial year.

Assembling of Electronic Products

Decline in the demand for certain customers' end products has directly impacted the Group's business of assembling electronic products. During the financial year, the Group's assembling of electronic products business recorded a turnover of HK\$400.75 million, representing a decrease of HK\$101.44 million or 20.20% from HK\$502.19 million in the previous year. However, the reporting segment results has improved from HK\$33.41 million or 6.65% of turnover in the previous financial year to HK\$42.19 million or 10.53% of turnover in the financial year.



Management Discussion and Analysis of Results of Operations



Mould Design and Fabrication

During the financial year, the mould design and fabrication segment recorded a turnover of HK\$85.26 million, representing a slight decrease of 1.12% from HK\$86.23 million in the previous financial year.

Other Losses – Net

During the financial year, the Group incurred other net loss of HK\$8.71 million (2014: HK\$4.77 million), which comprised mainly net loss on disposal of property, plant and equipment of HK\$4.81 million, impairment of property, plant and equipment of HK\$2.14 million and impairment of goodwill of HK\$2.17 million.

Distribution Costs

Distribution costs for the financial year amounted to HK\$67.58 million, representing a decrease of HK\$1.75 million or 2.52% from HK\$69.33 million in the previous financial year. The decrease was in line with the decrease in the turnover of the Group for the financial year.

General and Administrative Expenses

General and administrative expenses for the financial year amounted to HK\$96.97 million, representing an increase of HK\$4.93 million or 5.36% from HK\$92.04 million in the previous financial year. The increase was primarily due to provision for doubtful debts for customers of HK\$4.46 million.

Finance Costs – Net

The net finance costs for the year reduced by 23.12% to HK\$16.46 million (2014: HK\$21.41 million). The decrease was primarily due to decrease in bank borrowings during the financial year.

Share of Loss of an Associate

The Group's share of loss of an associate of HK\$3.46 million (2014: HK\$1.65 million) was solely attributed to loss incurred by its associate in Vietnam.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year, the Group financed its operations and investing activities mainly by means of internally generated operating cash flow and bank borrowings. As at 31 July 2015, the Group had cash and bank deposits of HK\$97.21 million (2014: HK\$114.56 million), of which HK\$22.25 million (2014: HK\$21.14 million) was pledged to banks for the facilities granted to the Group. 45.82%, 52.82% and 1.15% of cash and bank deposits are denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HK\$"), respectively.

Management Discussion and Analysis of Results of Operations

As at 31 July 2015, the Group had outstanding interest-bearing bank borrowings of HK\$331.36 million (2014: HK\$449.95 million). The total borrowings were denominated in USD (78.55%), RMB (15.95%), and HK\$ (5.50%), and the maturity profile is as follows:

Repayable	As at 31 July 2015		As at 31 July 2014	
	HK\$ million	%	HK\$ million	%
Within one year	185.14	55.87	254.94	56.66
After one year but within two years	46.51	14.04	195.01	43.34
After two years but within five years	99.71	30.09	–	–
Total borrowings	331.36	100.00	449.95	100.00
Cash and bank deposits	(97.21)		(114.56)	
Net borrowings	234.15		335.39	

The total net interest bearing borrowings of the Group recorded at HK\$234.15 million (2014: HK\$335.39 million) representing 19.85% (2014: 27.10%) of total assets and 43.75% (2014: 82.00%) of total equity.

The Group monitors its capital on the basis of its gearing ratio. The gearing ratio is calculated as the Group's net borrowings at the end of the financial year divided by total capital at the end of the financial year. Net borrowings of the Group is calculated as its total borrowings less cash and bank deposits. Total capital is calculated as total equity attributable to equity holders of the Company plus net borrowings. The gearing ratio of the Group was 30.44% as at 31 July 2015 (2014: 45.06%).



As at 31 July 2015, the Group's net current assets were HK\$17.63 million (2014: HK\$2.63 million). As at 31 July 2015, the Group has undrawn bank facilities of HK\$148.31 million for working capital purposes. The improvement in net current assets position was mainly due to the placement of 266,680,000 and 53,000,000 shares of the Company on 9 December 2014 and 9 March 2015 respectively, which raised net proceeds of approximately HK\$117.19 and HK\$28.97 million to the Group, respectively.

CAPITAL STRUCTURE

As at 31 July 2015, the Group's equity stood at HK\$535.14 million (2014: HK\$408.99 million). Total assets of the Group amounted to HK\$1,179.31 million (2014: HK\$1,237.75 million), 46.78% (2014: 46.64%) of which comprised property, plant, equipment and land use rights.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the year.

Management Discussion and Analysis of Results of Operations

SIGNIFICANT INVESTMENTS HELD

During the year, the Group did not hold any significant investment in equity interest in any other company.

CONTINGENT LIABILITY

The Group does not have material contingent liabilities as at 31 July 2015.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk 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 were primarily HK\$ and USD.

During the financial year, the Group has made net foreign exchange gains of HK\$0.41 million (2014: net foreign exchange losses of HK\$1.00 million) mainly due to the realised gain on forward foreign exchange contracts of HK\$1.56 million, unrealised and realised foreign exchange loss of HK\$1.14 million and unrealised loss on forward foreign exchange contracts of HK\$0.01 million.

Most of the Group's sales transactions are denominated in USD and certain payments of the Group were made in RMB and HK\$. In view of fluctuation of the RMB against the USD during the financial year, the Group was exposed to foreign currency risk in respect of certain trade receivables denominated in USD.

As at 31 July 2015, the notional amounts of the outstanding forward foreign exchange contracts were USD2.00 million (2014: USD20.50 million). Management will continue to monitor the Group's foreign currency risk exposure and to ensure that it is kept at an acceptable level.

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2015, the Group had a total of 2,962 employees (2014: 3,584). During the financial year, the Group did not make significant changes to the Group's remuneration policies. Human resource expenses of the Group (excluding the Directors' remuneration and equity settled share-based payment expenses) for the financial year amounted to HK\$198.60 million (2014: HK\$239.99 million). The decrease in human resource expenses was mainly due to the reduction in the number of employees during the financial year. 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 publicly listed entity, the Group has adopted a share option scheme to provide incentives to eligible directors and employees to participate in the Group's success.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. BEH Kim Ling, aged 57, is the chairman of the Company. Mr. Beh started his career in 1976 as a plastic moulding technician in Singapore. Three years later, Mr. Beh established VS Industry Pte Ltd. which was principally involved in the manufacturing of cassettes and video tapes parts in Singapore. In 1982, Mr. Beh, together with his wife, relocated the entire business operations of VS Industry Pte Ltd. from Singapore to Johor Bahru, Malaysia and set up V.S. Industry Berhad (“VS Berhad”) in Johor Bahru, Malaysia. Mr. Beh has been the executive chairman of VS Berhad since then. With the vast experience in the plastic moulding injection business gained in Singapore and Malaysia, Mr. Beh founded the Group’s business in the PRC in 1997. Mr. Beh has been appointed as an executive Director since 5 November 2001.

In November 2003, Mr. Beh received Honorary Doctorate from the Honolulu University in Hawaii, the United States of America. In recognition of his efforts and dedication, His Excellency, the Governor of Malacca conferred the Darjah Putra Seri Melaka (“DPSM”) to him which carries the prestigious title of “Datuk” in December 2012. Currently, Mr. Beh focuses mainly on business development and formulation of the overall business strategy of the Group.

Mr. Beh is the husband of Madam Gan Chu Cheng, the brother-in-law of Mr. Gan Sem Yam and Mr. Gan Tiong Sia and the father of Mr. Beh Chern Wei.

Mr. GAN Sem Yam, aged 59, is the managing Director. After completing his secondary education in 1975, Mr. Gan joined one of the shipyards in Singapore as an electrician. Mr. Gan joined VS Berhad in 1982 and was promoted to general manager and director of VS Berhad in February 1988. Mr. Gan was appointed as an executive Director on 16 July 2001.

In December 2012, in recognition of his efforts and dedication, he was conferred the DPSM which carries the prestigious title of “Datuk” by His Excellency, the Governor of Malacca. Mr. Gan is mainly responsible for the operations and daily management of the Group.

Mr. Gan is the brother of Madam Gan Chu Cheng and Mr. Gan Tiong Sia, the brother-in-law of Mr. Beh Kim Ling, and the uncle of Mr. Beh Chern Wei.

Madam GAN Chu Cheng, aged 61, is the finance Director. Madam Gan, together with her husband, Mr. Beh Kim Ling, established VS Berhad in 1982. Madam Gan has accumulated more than 30 years experience in the plastic injection and moulding business. Madam Gan was appointed as an executive Director on 5 November 2001 and she is an executive director of VS Berhad. Madam Gan has headed several departments including production planning, procurement and finance departments in both VS Berhad and the Group.

At present, Madam Gan is mainly responsible for the financial management of the Group.

Madam Gan is the wife of Mr. Beh Kim Ling, the sister of Mr. Gan Sem Yam and Mr. Gan Tiong Sia and the mother of Mr. Beh Chern Wei.

Directors and Senior Management Profile

Mr. ZHANG Pei Yu, aged 77, has been with the Group since October 2000 and has been appointed as an executive Director since 5 November 2001. Prior to joining the Group, Mr. Zhang held various managerial positions with a number of large state-owned enterprises and government bureau in the PRC, including Shenyang Auto Mobile Manufacturing Factory, Shenyang Light Industry Bureau, Planning Economy Committee of Shenyang and Shenyang Jinbei Company. Mr. Zhang has gained substantial experience in corporate management and business development in the PRC.

Mr. Zhang is principally responsible for the corporate affairs of the Group in the PRC.

Mr. BEH Chern Wei, aged 29, was appointed as an alternate Director to Madam Gan Chu Cheng on 21 March 2015. Mr. Beh graduated with a Bachelor of Science degree in Industrial Engineering from the State University of New York at Buffalo in 2006. Upon graduation, Mr. Beh served for a year in the business development division of VS Berhad, the parent company of the Company, whose subsidiaries are principally engaged in the manufacturing, assembly and sale of plastic moulded components and parts, and electrical products. After joining the Group, Mr. Beh served as a project manager and a business system manager in the Group's production facilities in Zhuhai, the PRC ("Zhuhai Campus"), whereby he took part in activities relating to management enterprise resource planning system, business development, sales and marketing, supply chain management, operational management and project and product development.

Mr. Beh currently serves as the head of supply chain management and the business system management in the Zhuhai Campus.

Mr. Beh Chern Wei is the son of Mr. Beh Kim Ling and Madam Gan Chu Cheng, both being executive Directors, and the nephew of Mr. Gan Tiong Sia, a non-executive Director, and Mr. Gam Sem Yam, an executive Director.

NON-EXECUTIVE DIRECTOR

Mr. GAN Tiong Sia, aged 55, has been a member of the Board since 5 November 2001. After graduation from secondary school, Mr. Gan joined VS Berhad as a management trainee. Mr. Gan was subsequently promoted as the marketing manager of VS Berhad in 1986 and became a director of VS Berhad in February 1988.

In May 2014, in recognition of his efforts and dedication, he was conferred the Darjah Indera Mahkota Pahang which carries the prestigious title of "Dato" by His Excellency, the Sultan of Pahang.

Mr. Gan is the brother of Madam Gan Chu Cheng and Mr. Gan Sem Yam, the brother-in-law of Mr. Beh Kim Ling, and the uncle of Mr. Beh Chern Wei.

Directors and Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. DIONG Tai Pew, aged 64, was appointed as an independent non-executive Director on 31 August 2002. Mr. Diong graduated with a Diploma in Commerce from Tunku Abdul Rahman College, Malaysia in 1976. Mr. Diong is a Chartered Accountant of Singapore and Malaysia. He is also a fellow member of the Chartered Tax Institute of Malaysia.

Mr. Diong is a practicing accountant and has more than 30 years of experience in audit and investigation work, taxation, merger and acquisition as well as business development. Mr. Diong is the founder partner of UHY Diong, an accounting and consulting group in Singapore and Malaysia. Mr. Diong is also an independent non-executive director and the chairman of the audit committee of each of SIG Gases Berhad, a company listed on the Main Market of Bursa Malaysia, Eastern Holdings Ltd, a company listed on the Mainboard of the Singapore Exchange and Hengyang Petrochemical Logistics Limited, a company listed on the Catalist of the Singapore Exchange.

Mr. TANG Sim Cheow, aged 56, was appointed as an independent non-executive Director on 30 September 2004. Mr. Tang graduated from the University of Malaya with a Bachelor of Accounting degree in 1984. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants, and a fellow member of the Chartered Tax Institute of Malaysia. Mr. Tang joined KPMG Kuala Lumpur upon graduation and was promoted to tax manager in 1988. In 1992, Mr. Tang was seconded to KPMG Johor Bahru to head the tax practice of the Johor Bahru Branch and was promoted to tax director in 1995. Since 2000, Mr. Tang operates his own accounting firm S C Tang & Associates, in Malaysia which provides assurance, tax and consultancy services.

Mr. Tang is currently an independent non-executive director of VS Berhad, holding company of the Company which is listed on the Main Market of Bursa Malaysia.

Ms. FU Xiao Nan, aged 45, was appointed as an independent non-executive Director on 12 June 2015. Ms. Fu holds a master's degree in finance and has over 15 years of investment banking experience in the capital markets of the PRC. She is a sponsor representative registered with China Securities Regulatory Commission.

Ms. Fu is currently a member of the senior management of Huatai United Securities Co., Ltd. a company established in the PRC principally engaged in securities underwriting, sponsorship and financial advisory to securities investment and trading related activities. Prior to joining Huatai United Securities Co., Ltd., Ms. Fu held senior management positions in various investment banks. From June 2008 to March 2010, Ms. Fu acted as an independent non-executive director of Blue Star Cleaning Co., Ltd. (now known as Chengdu Xingrong Environment Co., Ltd.), a company listed on the Shenzhen Stock Exchange (stock code: 000598). Since December 2012, Ms. Fu has also served as an independent non-executive director of the United Laboratories International Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 3933).

Directors and Senior Management Profile

SENIOR MANAGEMENT OF THE GROUP

Mr. HSU Chi Chuan, aged 47, is the general manager of V.S Technology Industry Park (Zhuhai) Co., Ltd (“VS Zhuhai”). Prior to joining the Group in September 2010, Mr. Hsu has gained more than 20 years experience in engineering, tooling and operations of EMS industry in Taiwan and China including holding a position as a general manager for 10 years in a world leading EMS company in China.

Mr. KEE Chin Guan, aged 43, is the business development director of V.S. Industry (Zhuhai) Co., Ltd. Mr. Kee graduated from the University of Bradford (UK) with a Bachelor of Science major in marketing management. Mr. Kee joined the Group in February 2004 as assistant marketing manager and was promoted to the present position in 2011. He has more than 15 years of experience in the management sales and marketing function.

Mr. LO Boon Wah, aged 46, is the general manager of Haivs Industry (Qingdao) Co., Ltd. (“Haivs Qingdao”), Qingdao GS Electronics Plastic Co., Ltd. (“Qingdao GS”) and Qingdao GP Electronic Plastics Co., Ltd. (“Qingdao GPI”). Mr. Lo, who joined the Group in July 2001, holds a Bachelor of Business Administration degree from the University of Utara Malaysia in Malaysia and has over 15 years experience in the administrative functions of operation management.

Mr. LEE Keng Eng, aged 42, is the operation finance controller of the Group. Mr. Lee joined the Group as the finance manager of Haivs Qingdao and Qingdao GS, Qingdao GPI and Qingdao GP Precision Mold Co., Ltd. since year 2004 and was promoted to the present position in April 2009. Mr. Lee has gained over 15 years of experiences in relation to accounting, financing and taxation in the PRC.

Mr. CHONG Chin Siong, aged 48, is the corporate finance controller of the Group. Mr. Chong graduated from the University Science of Malaysia with a Bachelor of Management (majoring in finance and accounting) in year 1992. Prior to joining the Group in January 2009, Mr. Chong has gained more than 15 years experience in internal audit, corporate finance and financial management in a number of public listed companies in Malaysia.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance and endeavours in following the code provisions ("Code Provisions") of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Board considers such commitment is essential for the growth of the Group and for maximising the interest of the shareholders of the Company ("Shareholders"). The Company regularly reviews its corporate governance practices to ensure that the latest development in corporate governance can be followed and observed.

CORPORATE GOVERNANCE PRACTICES

During the financial year, the Company had complied with the Code Provisions, except for below.

According to Code Provision A.2.1 under the CG Code, the roles of chairman and chief executive should be separate 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. 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.

Code Provision A.6.7 provides that independent non-executive directors of listed issuers should attend general meetings. One independent non-executive Director did not attend the annual general meeting of the Company held on 17 December 2014 due to his other business commitments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted on 30 September 2004 its securities dealing code ("SD Code") regarding the dealings of securities of the Company by the Directors and senior management of the Group, on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry on all Directors regarding the dealings of securities of the Company and the Directors have confirmed that they have complied with the SD Code and Appendix 10 to the Listing Rules throughout the financial year ended 31 July 2015.

Corporate Governance Report

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's overall strategic policies. The management is delegated the authority and responsibility by the Board for the management of the Group. The Board is currently composed of five executive Directors namely Mr. Beh Kim Ling as the chairman, Mr. Gan Sem Yam, Madam Gan Chu Cheng, Mr. Zhang Pei Yu and Mr. Beh Chern Wei (alternate Director to Madam Gan Chu Cheng); one non-executive Director, namely Mr. Gan Tiong Sia; and three independent non-executive Directors, namely Mr. Diong Tai Pew, Mr. Tang Sim Cheow and Ms. Fu Xiao Nan. The biographical details of the Directors are set out under the section headed "Directors and senior management profile" of this Annual Report. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the members of the Board has full access to relevant information at the meetings. During the financial year ended 31 July 2015, the Board has convened ten meetings at which, among other things, the following activities were conducted:

- (1) approved the annual report for the financial year ended 31 July 2014 and matters to be considered at the 2014 annual general meeting;
- (2) reviewed and approved corporate strategies of the Group for the financial year ending 31 July 2016;
- (3) approved the interim results for the six months ended 31 January 2015;
- (4) approved the announcements of the Company in relation to, among others, certain unaudited financial information of the Group provided to V.S. Industry Berhad for the compilation of its quarterly report for the three months ended 31 October 2014 and for the nine months ended 30 April 2015 respectively; and
- (5) approved continuing connected transactions of the Group.

The Board is also responsible for determining the Company's corporate governance policies and performing corporate governance duties set out under the CG Code. Its corporate governance duties include, among others, (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal or regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review the Company's disclosure in the Corporate Governance Report.



Corporate Governance Report

During the financial year, the Board has not held any meeting in relation to its corporate governance functions.

Apart from the regular board meetings, the Board met on other occasions when a board-level decision on a particular matter was required.

Details of the Directors' attendance records at the board meetings during the financial year ended 31 July 2015 are as follows:

	Attendance
Executive Directors	
Mr. Beh Kim Ling (<i>Chairman</i>)	10/10
Mr. Gan Sem Yam	10/10
Madam Gan Chu Cheng	10/10
Mr. Zhang Pei Yu	10/10
Mr. Beh Chern Wei (<i>Alternate Director to Madam Gan Chu Cheng and appointed on 21 March 2015</i>)	3/10
Non-executive Director	
Mr. Gan Tiong Sia	9/10
Independent non-executive Directors	
Mr. Diong Tai Pew	9/10
Mr. Lee Soo Gee (<i>resigned on 12 June 2015</i>)	8/10
Mr. Tang Sim Cheow	10/10
Ms. Fu Xiao Nan (<i>appointed on 12 June 2015</i>)	0/10

Whilst the Board as a whole is to determine the corporate strategies and overall strategy policies, the executive Directors and senior management of the Company, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group's business.

Corporate Governance Report

Details of the Directors' attendance records at the annual general meeting of the Company, being the only general meeting held during the financial year ended 31 July 2015, are as follows:

	Attendance
Executive Directors	
Mr. Beh Kim Ling (<i>Chairman</i>)	1/1
Mr. Gan Sem Yam	1/1
Madam Gan Chu Cheng	1/1
Mr. Zhang Pei Yu	1/1
Mr. Beh Chern Wei (<i>Alternate Director to Madam Gan Chu Cheng and appointed on 21 March 2015</i>)	0/1
Non-executive Director	
Mr. Gan Tiong Sia	1/1
Independent non-executive Directors	
Mr. Diong Tai Pew	0/1
Mr. Lee Soo Gee (<i>resigned on 12 June 2015</i>)	1/1
Mr. Tang Sim Cheow	1/1
Ms. Fu Xiao Nan (<i>appointed on 12 June 2015</i>)	0/1

Save as disclosed under the section headed "Directors and Senior Management Profile" of this Annual Report, there is no other relationship (whether financial, business, family or other material/relevant relationships) among the members of the Board.

The Company has received from each of the independent non-executive Directors a written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

Corporate Governance Report

INSURANCE ARRANGEMENT

According to Code Provision A.1.8 of the CG Code, an issuer shall arrange appropriate insurance cover in respect of any legal action against its directors. During the financial year ended 31 July 2015, the Company has arranged liability insurance for its Directors and senior management.

DIRECTORS' TRAINING

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The Company shall be responsible for arranging suitable training for all Directors at the Company's expense.

During the financial year, the Company has organised a training session conducted by qualified professionals in relation to, among others, (i) Risk Management for Directors and Senior Management; (ii) Guidelines on Statement of Risk Management and Internal Control to ensure that the directors fully understand their roles, functions and duties as Directors under the Listing Rules and other applicable laws and regulations. Each of Mr. Beh Kim Ling, Mr. Gan Sem Yam, Madam Gan Chu Cheng, Mr. Zhang Pei Yu, Mr. Beh Chern Wei, Mr. Gan Tiong Sia, Mr. Diong Tai Pew and Mr. Tang Sim Cheow attended such training session.

NOMINATION COMMITTEE

The nomination committee of the Company ("Nomination Committee") currently consists of three members, comprising two independent non-executive Directors, namely Mr. Tang Sim Cheow (chairman) and Mr. Diong Tai Pew, and one executive Director, namely Madam Gan Chu Cheng. It was established by the Board with effect from 24 March 2012 and its duties are clearly defined in its terms of reference which have been prepared and adopted according to the Code Provisions.

The Nomination Committee reviews regularly the structure, size and composition of the Board and may make recommendations to the Board on the nominees for appointment as directors for their consideration and approval. To enhance the quality of the performance of the Board and to achieve diversity on the Board, the Board adopted on 30 August 2013 its board diversity policy ("Board Diversity Policy"), pursuant to which (i) differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors will be taken into account in determining the optimum composition of the Board; and (ii) all Board appointments will be based on merit while taking into account diversity (including gender diversity). For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

Corporate Governance Report

- (A) at least 40% of the members of the Board shall be non-executive directors or independent non-executive directors;
- (B) at least one-third of the members of the Board shall be independent non-executive directors;
- (C) at least two of the members of the Board shall have obtained accounting or other professional qualifications;
- (D) at least 75% of the members of the Board shall have more than seven years of experience in the industry he/she is specialised in; and
- (E) at least two of the members of the Board shall have China-related work experience.

During the financial year ended 31 July 2015, the Nomination Committee has met twice to review the structure, size and composition of the Board and review performance of each Director who is subject to retirement by rotation.

Details of attendance of each member of the Nomination Committee during the financial year ended 31 July 2015 are as follows:

	Attendance
Mr. Tang Sim Cheow	2/2
Mr. Diong Tai Pew	2/2
Madam Gan Chu Cheng	2/2

REMUNERATION COMMITTEE

The remuneration committee of the Company ("Remuneration Committee") currently consists of three members, two independent non-executive Directors, Ms. Fu Xiao Nan (chairman) and Mr. Diong Tai Pew, and one executive Director, Mr. Beh Kim Ling. The Remuneration Committee was established by the Board on 14 February 2006 and its duties are clearly defined in its terms of reference which have been prepared and adopted according to the Code Provisions. The function of the Remuneration Committee is to make recommendations to the Board on the policy and structure for all remuneration of Directors and senior management of the Company.

During the financial year ended 31 July 2015, the Remuneration Committee has met twice to review and approve the remuneration structure of the Directors and senior management of the Company as well as discretionary bonus of the executive Directors for the financial year ended 31 July 2014.

Corporate Governance Report

Details of attendance of each member of the Remuneration Committee during the financial year ended 31 July 2015 are as follows:

	Attendance
Ms. Fu Xiao Nan (<i>appointed on 12 June 2015</i>)	0/2
Mr. Diong Tai Pew	2/2
Mr. Beh Kim Ling	2/2
Mr. Lee Soo Gee (<i>resigned on 12 June 2015</i>)	1/2

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) currently comprises three independent non-executive Directors, namely Mr. Diong Tai Pew (chairman), Mr. Tang Sim Cheow and Ms. Fu Xiao Nan. It was established by the Board with effect from 20 January 2002 and its duties are clearly defined in its terms of reference which have been prepared and adopted according to the Code Provisions.

The Audit Committee provides an important link between the Board and the Company’s auditors in matters coming within the scope of the Group’s audit. It also reviews the annual and interim reports of the Company prior to their approval by the Board, the effectiveness of the external and internal audit and of internal controls and risk evaluation.

During the financial year, the Audit Committee has convened four meetings and conducted the following activities:

- (1) reviewed the first and third quarterly results of the Company;
- (2) reviewed the interim and annual report of the Company;
- (3) reviewed the report of internal audit department, internal controls system and financial matters of the Group in pursuance of the terms of reference;
- (4) reviewed the audit findings of the external auditors of the Company;
- (5) made recommendation to the Board on the re-appointment of the external auditors; and
- (6) reviewed all ongoing continuing connected transactions of the Group.

Corporate Governance Report

Details of attendance of each member of the Audit Committee during the financial year ended 31 July 2015 are as follows:

	Attendance
Mr. Diong Tai Pew	3/4
Mr. Lee Soo Gee (<i>resigned on 12 June 2015</i>)	3/4
Mr. Tang Sim Cheow	4/4
Ms. Fu Xiao Nan (<i>appointed on 12 June 2015</i>)	0/4

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

As disclosed in the Company's announcement dated 13 March 2013, the Company appointed PricewaterhouseCoopers as auditors of the Company with effect from 13 March 2013, following the resignation of KPMG as auditors of the Company.

AUDITORS' REMUNERATION

During the financial year ended 31 July 2015, audit and non-audit services were provided to the Group by PricewaterhouseCoopers, the auditor of the Company, and other external auditors of the Company's subsidiaries in the PRC:

Services Provided	Amounts
	HK\$
Annual audit	
Audit fee for the consolidated financial statements of the Group for the year ended 31 July 2015	1,480,000
Audit fee for the statutory audit of the financial statements of the Company's subsidiaries in the PRC for the year ended 31 December 2014	416,000
Non-audit services	
Fee for reviewing the interim results of the Group for the six months ended 31 January 2015	200,000
Fee for tax consultancy services of the Company's subsidiaries in the PRC and other non-audit services	321,000
	2,417,000



Corporate Governance Report

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the financial year ended 31 July 2015, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

The statement of the external auditors about their reporting responsibilities on the financial statements are set out in the Independent Auditor's Report to the Shareholders on pages 47 to 48 of this Annual Report.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of internal control. During the financial year, the Board has reviewed the effectiveness of the internal control system of the Group through the Audit Committee. There was no significant incidence of failure in connection with the financial, operational and compliance control during the financial year ended 31 July 2015.

During the financial year, the Board has considered through the Audit Committee the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for the Shareholders to convene an extraordinary general meeting ("EGM") of the Company are prepared in accordance with Article 64 of the articles of association of the Company:

- (1) One or more Shareholders ("Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such requisition.

Corporate Governance Report

- (2) Such requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Head office and principal place of business of the Company in Hong Kong

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

Email: corporate@vs-ig.com

Attention: the Board of Directors/Company Secretary

Registered office of the Company

Address: Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands

Attention: the Board of Directors/Company Secretary

- (3) The EGM shall be held within two months after the deposit of such requisition.
- (4) If the Directors fail to proceed to convene such meeting within twenty-one (21) days of such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for shareholders to direct enquiries to the Company

For matters in relation to the Board, the Shareholders can contact the Company at the following:

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

Email: corporate@vs-ig.com

Tel: (86)-756-3392338-1238

Fax: (86)-756-3385681/3385691

Attention: the Board of Directors/Company Secretary

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered Shareholders can contact:

Hong Kong branch share registrar and transfer office of the Company

Computershare Hong Kong Investor Services Limited

Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Email: hkinfo@computershare.com.hk

Tel: (852) 2862 8555

Fax: (852) 2529 6087

Corporate Governance Report

Procedures for shareholders to put forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal ("Proposal") with his/her detailed contact information at the Company's principal place of business at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

- (a) At least 14 days' notice in writing if the Proposal requires approval by way of an ordinary resolution of the Company.
- (b) At least 21 days' notice in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company or an ordinary resolution of the Company in an annual general meeting of the Company.

INVESTOR RELATIONS

There was no significant change in the Company's constitutional documents during the year ended 31 July 2015.

Report of the Directors

The Directors have pleasure in submitting the Annual Report together with the consolidated financial statements of the Group for the financial year ended 31 July 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacturing and sale of plastic moulded products and parts, assembling of electronic products and mould design and fabrication.

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year is set out in note 5 to the consolidated financial statements of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	21%	–
Five largest customers in aggregate	61%	–
The largest supplier	–	9%
Five largest suppliers in aggregate	–	27%

At no time during the financial year had the Directors, their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The results of the Group for the financial year ended 31 July 2015 and the state of the Company's and the Group's affairs as at 31 July 2015 are set out in the consolidated financial statements of the Group on pages 49 to 112 of this Annual Report.

DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the financial year ended 31 July 2015 (2014: Nil).



Report of the Directors

FIXED ASSETS

Details of movements in fixed assets of the Group during the financial year are set out in note 15 to the consolidated financial statements of the Group.

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in note 28 to the consolidated financial statements of the Group.

RESERVES

Details of movements in the reserves of the Group are set out in the consolidated statement of changes in equity in the consolidated financial statements of the Group. Details of the movement in the reserves of the Company's individual components of equity are set out in the note 29 to the consolidated financial statements of the Group.

DISTRIBUTABLE RESERVES

As at 31 July 2015, the Company's reserves available for distribution calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to HK\$333,926,000 (2014: HK\$219,851,000). These reserves may be distributed provided that immediately following the date on which the distribution is proposed to be made, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

DIRECTORS

The Directors during the financial year and up to the date of this report were:-

Executive Directors

Beh Kim Ling

Gan Sem Yam

Gan Chu Cheng

Zhang Pei Yu

Beh Chern Wei (*Alternate Director to Gan Chu Cheng*)

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew

Tang Sim Cheow

Fu Xiao Nan (*appointed on 12 June 2015*)

Lee Soo Gee (*resigned on 12 June 2015*)

Report of the Directors

DIRECTORS (CONTINUED)

In accordance with article 108(A) of the Company's articles of association, not less than one-third of the Directors for the time being should retire from office by rotation at each annual general meeting. Accordingly, Mr. Gan Sem Yam, Madam Gan Chu Cheng and Mr. Tang Sim Cheow will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at such meeting.

Ms. Fu Xiao Nan was appointed as an independent non-executive Director on 12 June 2015. Pursuant to article 112 of the Company's articles of association, Ms. Fu Xiao Nan should hold office only until the forthcoming annual general meeting and, being eligible, offers herself for re-election at such meeting.

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Beh Kim Ling, Gan Sem Yam, Zhang Pei Yu and Madam Gan Chu Cheng, being all the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from the date of appointment, and is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than three months' notice in writing served by either party to the other.

Mr. Gan Tiong Sia is currently appointed as a non-executive Director and Messrs. Diong Tai Pew, Tang Sim Cheow and Ms. Fu Xiao Nan are currently appointed as independent non-executive Directors. The appointments of Messrs. Gan Tiong Sia, Diong Tai Pew and Tang Sim Cheow and Ms. Fu Xiao Nan are for a term of one year renewable automatically for successive terms of one year until terminated by not less than two months' notice in writing served by either party to the other.

No Director proposed for re-election at the forthcoming annual general meeting of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

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

As at 31 July 2015, the interests and short positions of the Directors and chief executive of the Company in the 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 SD Code, to be notified to the Company and the Stock Exchange were as follows:

Report of the Directors

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

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Beh Kim Ling	The Company	Beneficial owner	77,562,027 Shares (L) (Notes 3 and 9)	4.26%
	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. Investment Holdings Limited ("VS Investment")	Beneficial owner	5 ordinary shares of HK\$1 each (L)	Nominal
Gan Sem Yam	The Company	Beneficial owner	45,337,117 Shares (L) (Notes 3 and 9)	2.49%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	Nominal

Report of the Directors

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 Chu Cheng	The Company	Beneficial owner	30,668,704 Shares (L) (Notes 4 and 9)	1.68%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	Nominal
Zhang Pei Yu	The Company	Beneficial owner	7,402,000 Shares (L) (Notes 5 and 9)	0.41%
Beh Chern Wei	The Company	Beneficial owner	25,600,000 Shares (L) (Notes 6 and 9)	1.41%
Gan Tiong Sia	The Company	Beneficial owner	20,215,074 Shares (L) (Notes 7 and 9)	1.11%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	2,613,129 Shares (L) (Notes 8 and 9)	0.14%
Tang Sim Cheow	The Company	Beneficial owner	1,839,130 Shares (L) (Notes 8 and 9)	0.10%

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

Notes:

1. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Messrs. Gan Sem Yam and Gan Tiong Sia. Madam Gan Chu Cheng is the sister of Messrs. Gan Sem Yam and Gan Tiong Sia. Mr. Beh Chern Wei is the son of Mr. Beh Kim Ling and Madam Gan Chu Cheng, and the nephew of Mr. Gan Tiong Sia and Mr. Gan Sem Yam.
2. The letter "L" represents the Director's long position interest in the shares and underlying shares of the Company or its associated corporations.
3. 9,600,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to each of the executive Directors, namely Mr. Beh Kim Ling and Mr. Gan Sem Yam, respectively by the Company under its share option scheme, details of which are set out in note 9 below, as at 31 July 2015.
4. 6,400,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to the executive Director, namely Madam Gan Chu Cheng, by the Company under its share option scheme, details of which are set out in note 9 below, as at 31 July 2015.
5. 7,108,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to the executive Director, namely Mr. Zhang Pei Yu, by the Company under its share option scheme, details of which are set out in note 9 below, as at 31 July 2015.
6. 3,600,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to the alternate Director to Madam Gan Chu Cheng, namely Mr. Beh Chern Wei, by the Company under its share option scheme, details of which are set out in note 9 below, as at 31 July 2015.
7. 3,000,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to the non-executive Director, namely Mr. Gan Tiong Sia, by the Company under its share option scheme, details of which are set out in note 9 below, as at 31 July 2015.
8. 1,200,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to each of the independent non-executive Directors, namely Mr. Diong Tai Pew and Mr. Tang Sim Cheow, respectively by the Company under its share option scheme, details of which are set out in note 9 below, as at 31 July 2015.
9. On 16 December 2013, share options were granted by the Company under its share option scheme, which was adopted on 21 September 2012 and will be valid until 20 September 2022, to, among other eligible participants, the Directors. These share options, all of which remained outstanding as at 31 July 2015, are exercisable at a price of HK\$0.308 per Share during the exercise periods. Details of these share options are disclosed in the paragraph headed "Share Option Scheme" on pages 37 to 39 of this Annual Report.

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 SD Code, to be notified to the Company and the Stock Exchange.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the financial year ended 31 July 2015 was the Company, any of its subsidiaries or fellow subsidiaries was 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 32 to the consolidated financial statements 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 financial year or at any time during the financial year.

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

As at 31 July 2015, 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 1)	Nature of interest/capacity	Approximate percentage of Interest
V.S. Industry Berhad	800,087,971 (L)	Beneficial owner	43.92%

Note:

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

SHARE OPTION SCHEME

The Company operates a share option scheme ("Share Option Scheme"), which was adopted on 21 September 2012, for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. The Share Option Scheme became effective on 21 September 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Details of the Share Option Scheme are set out in note 26 to the consolidated financial statements of the Group.

SHARE OPTION SCHEME (CONTINUED)

Eligible participants of the Share Option Scheme include the following:

- (i) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any Subsidiary or any Invested Entity;
- (ii) any non-executive directors (including independent non-executive directors) of the Group or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

As at the date of this report, the total number of share options available for issue, save for those granted but yet to be exercised, under the Share Option Scheme is 94,674,154, which represent approximately 5.19% of the issued share capital of the Company as at date of this report. The maximum number of Shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

Share options granted to a Director, chief executive of the Company or substantial Shareholder, or to any of their respective close associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, where any grant of share options to a substantial Shareholder or an independent non-executive Director, or to any of their respective close associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK\$5 million, in a 12-month period up to and including the date of grant, such grant of share options are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:-

- (i) the closing price of Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and
- (iii) the nominal value of the Shares.

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

The following table discloses details of share options held by the grantees and movements in such holdings during the financial year ended 31 July 2015:

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately	Outstanding at 1 August 2014	Exercised during the year	Granted during the year	Lapsed/ cancelled	Outstanding at 31 July 2015
				before the exercise date				during the year	
Directors									
Beh Kim Ling	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000
		1 August 2015 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000
		1 August 2016 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000
Gan Sem Yam	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000
		1 August 2015 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000
		1 August 2016 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000
Gan Chu Cheng	16 December 2013	1 August 2014 to 31 July 2017	0.308	0.520	3,200,000	3,200,000	-	-	-
		1 August 2015 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000
		1 August 2016 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately	Outstanding at 1 August 2014	Exercised during the year	Granted during the year	Lapsed/ cancelled during the year	Outstanding at 31 July 2015
				before the exercise date HK\$					
Zhang Pei Yu	16 December 2013	1 August 2014 to 31 July 2017	0.308	0.608	3,200,000	2,492,000	-	-	708,000
		1 August 2015 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000
		1 August 2016 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000
Beh Chern Wei (appointed as an alternate Director to Madam Gan Chu Cheng with effect from 21 March 2015)	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	1,200,000	-	-	-	1,200,000
		1 August 2015 to 31 July 2017	0.308	N/A	1,200,000	-	-	-	1,200,000
		1 August 2016 to 31 July 2017	0.308	N/A	1,200,000	-	-	-	1,200,000
Gan Tiong Sia	16 December 2013	1 August 2014 to 31 July 2017	0.308	0.514	1,500,000	1,500,000	-	-	-
		1 August 2015 to 31 July 2017	0.308	N/A	1,500,000	-	-	-	1,500,000
		1 August 2016 to 31 July 2017	0.308	N/A	1,500,000	-	-	-	1,500,000
Diong Tai Pew	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000
		1 August 2015 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000
		1 August 2016 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately before the exercise date HK\$	Outstanding at 1 August 2014	Exercised during the year	Granted during the year	Lapsed/ cancelled during the year	Outstanding at 31 July 2015
Tang Sim Cheow	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000
		1 August 2015 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000
		1 August 2016 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000
Lee Soo Gee (resigned as an independent non-executive Director with effect from 12 June 2015)	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000
		1 August 2015 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000
		1 August 2016 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000
					50,100,000	7,192,000	-	-	42,908,000
Other employees (Note 2)	16 December 2013	1 August 2014 to 31 July 2017	0.308	0.523	20,000,000	16,864,000	-	-	3,136,000
		1 August 2015 to 31 July 2017	0.308	N/A	20,000,000	-	-	1,200,000	18,800,000
		1 August 2016 to 31 July 2017	0.308	N/A	20,000,000	-	-	1,200,000	18,800,000
					60,000,000	16,864,000	-	2,400,000	40,736,000
					110,100,000	24,056,000	-	2,400,000	83,644,000

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

Notes:

1. The average closing price of the shares of the Company as stated on the Stock Exchange's daily quotation sheets five trading days immediately before 16 December 2013, being the date of the grant of share options during the year, was HK\$0.308.
2. Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).
3. There were no share options being cancelled during the financial year ended 31 July 2015.

The fair value of the share options granted during the year with the exercise price of HK\$0.308 per Share is estimated at approximately HK\$0.423 at the date of grant using the Binomial option pricing model ("Model"). The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. The inputs into the Model were as follows:

Dividend yield (%)	0.00
Expected volatility (%)	64.81
Risk-free interest rate (%)	0.735
Expected life of options (years)	3.60
Exercise price (HK\$ per share)	0.308

The expected life of the options is estimated by averaging the vesting term and the term from vesting date to the option expiry date and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the financial year ended 31 July 2015.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions for the financial year ended 31 July 2015 are set out in note 32 to the consolidated financial statements of the Group.

The Group had entered into the following continuing connected transactions during the financial year ended 31 July 2015, details of which are required to be disclosed in this report pursuant to Chapter 14A of the Listing Rules:-

(i) **Continuing connected transactions with V.S. (Zhuhai) Management Co., Ltd. (“VS Management”)**

On 22 August 2014, V.S. Technology Industry Park (Zhuhai) Co., Ltd. (“VS Zhuhai”), V.S. Industry (Zhuhai) Co., Ltd. (“VSI (Zhuhai)”) and VSA Electronics Technology (Zhuhai) Co., Ltd. (“VSAZH”) (collectively, the “Tenants”) (as tenants) entered into tenancy agreement (“New Leased Agreement”) with VS Management (as landlord) for the leasing of 19 blocks of residential buildings (“New Leased Premises”) in a residential complex for a term of three years commenced on 1 August 2014. The New Leased Premises are used as staff quarters of the Tenants and the Group.

The Directors believed that the proximity of the New Leased Premises to the production facilities of VS Zhuhai, VSI (Zhuhai) and VSAZH not only gives the employees great convenience but also can help to reduce the transportation costs incurred by the Group for arranging employees to come to work. In addition, the Directors considered that the New Leased Premises can provide well-managed staff quarters for VS Zhuhai, VSI (Zhuhai) and VSAZH.

Each of VS Zhuhai, VSI (Zhuhai) and VSAZH is a wholly-owned subsidiary of the Company. The entire issued share capital of VS Management is owned by Mr. Beh Kim Ling, an executive Director. Accordingly, VS Management is an associate of Mr. Beh Kim Ling and is therefore a connected person of the Company under Chapter 14A of the Listing Rules, and the tenancy arrangements as contemplated under the New Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to the New Lease Agreement, the rent and management fee the monthly rent and management fee of RMB659,587 (equivalent to approximately HK\$824,484*) is payable on the fifth day of each month during the tenancy period. The aggregate annual rent and management fee payable by VS Zhuhai, VSI (Zhuhai) and VSAZH to VS Management is estimated to be RMB7,915,044 for each of the three years financial years ending 31 July 2017. The annual expected cap amount of rent and management fee payable is RMB7,915,044 for each of the three years ending 31 July 2017. The amount of rent and management fee actually paid by the Tenants to VS Management for the year ended 31 July 2015 was RMB7,915,044 (equivalent to approximately HK\$9,893,805*).

Details of the above-mentioned continuing connected transactions were set out in the Company’s announcement dated 22 August 2014.

* Calculated based on the exchange rate set out in the announcement of the Company dated 22 August 2014.

Report of the Directors

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Continuing connected transactions with V.S. Industry Berhad

On 12 May 2014, the Company (for itself and on behalf of the other members of the Group) entered into a master supply agreement (“New Master Supply Agreement”) with V.S. Industry Berhad (“VS Berhad, together with its subsidiaries, the VS Berhad Group”) (for itself and for the other members of the VS Berhad Group) for a term of three years commencing from 1 August 2014 and ending on 31 July 2017 in relation to the supply of the Products from the Group to the VS Berhad Group. The expected annual capped amount of sales of the Products from the Group to the VS Berhad Group pursuant to the New Master Supply Agreement for each of the three years ending 31 July 2017 are HK\$40,000,000, HK\$50,000,000 and HK\$60,000,000 respectively. The actual amount of sales of the products from the Group to the VS Berhad Group pursuant to the New Master Supply Agreement for the year ended 31 July 2015 was HK\$13,924,000.

The actual amount, specification and price of the products to be supplied under the New Master Supply Agreement are subject to individual orders placed by the VS Berhad Group with the Group.

The Group is principally engaged in the production and sales of plastic moulded components and parts, assembling of electronic products and mould design and fabrication. VS Berhad Group is principally involved in the manufacturing, assembling and sale of electronic and plastic moulded products, components and parts. The Group has been selling moulds designed and fabricated, and plastic moulded products and parts manufactured by the Group to the VS Berhad Group since 2000. The supply of Products by the Group to the VS Berhad Group will continue to be conducted in the ordinary and usual course of business of the Group.

As VS Berhad is a substantial shareholder of the Company, VS Berhad is a connected person of the Company. The sales under the New Master Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of the New Master Agreement were set out in the announcement and circular of the Company dated 12 May 2014 and 5 June 2014 respectively.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Continuing connected transactions with Zhuhai Kejie Polymer Material Co., Ltd. (“Zhuhai Kejie”)

On 22 September 2012, VS Zhuhai and VSI (Zhuhai) entered into a master processing agreement (“Kejie Master Processing Agreement”) with Zhuhai Kejie. Pursuant to the Kejie Master Processing Agreement, VS Zhuhai and VSI (Zhuhai) agreed to engage Zhuhai Kejie for the provision of processing services, being colouration of plastic resin material and modification of chemical structure of plastic resin for the term of the Kejie Master Processing Agreement commencing from 1 August 2012 and ending on 31 July 2015. The expected annual capped amounts for the fees payable to Zhuhai Kejie under the Kejie Mater Processing Agreement for each the three years ending 31 July 2015 are HK\$6,000,000.

The quantity, specification and price of the processing services to be provided by Zhuhai Kejie will be subject to individual orders placed by VS Zhuhai and VSI (Zhuhai) with Zhuhai Kejie.

The process of colouration of plastic resin materials and modification of chemical structure of plastic resin would enhance the quality of the finished goods. However, VS (Zhuhai) and VSI Zhuhai do not have the necessary machineries and skilled labours for such processes. For these reasons, VS (Zhuhai) and VSI Zhuhai have been outsourcing the processes. As Zhuhai Kejie is located in Zhuhai which is in closer proximity to the Group’s production facilities, the Directors considered that it is more convenient and in the interest of the relevant companies to engage Zhuhai Kejie for the provision of processing services.

80% of the equity interest of Zhuhai Kejie is owned by Hongkong Weihui Int’l Limited, which is owned by Mr. K.H. Beh as to 60%. Mr. K.H. Beh is the brother of Mr. Beh Kim Ling (“Mr. Beh”), an executive Director. Mr. Beh does not have any direct or indirect interest in Zhuhai Kejie and cannot control the composition of a majority of the board of directors of Zhuhai Kejie. Save as mentioned above, Mr. Beh does not have any other relationship with Zhuhai Kejie. Pursuant to Chapter 14A of the Listing Rules, Mr. Beh, being a Director, is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, Mr. K.H. Beh, being the brother of Mr. Beh, is an associate of Mr. Beh. In view of such relationships and the transactions contemplated under the Kejie Master Processing Agreement, Zhuhai Kejie is deemed to be a connected person of the Company under the Listing Rules by the Stock Exchange. Accordingly, the transactions pursuant to the Kejie Master Processing Agreement are deemed to be continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Report of the Directors

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Continuing connected transactions with Zhuhai Kejie Polymer Material Co., Ltd. (“Zhuhai Kejie”) (continued)

As disclosed in the announcement of the Company dated 24 September 2013, taking into consideration of the processing fees payable to Zhuhai Kejie for the year ended 31 July 2013 and the one month ended 31 August 2013, and the then estimation of the processing fees of the Group, the Directors expected that there would be an increase in the processing fees payable to Zhuhai Kejie in order to cope with the growing sales of the Group which required the colouration of plastic resin material and modification of the chemical structure of the plastic resin process, and accordingly the transaction amount for each of the two years ending 31 July 2015 was expected to exceed the then expected annual capped amount of HK\$6,000,000. Accordingly, such expected annual capped amount under the Kejie Master Processing Agreement has been revised to HK\$9,800,000. The actual amount of fees paid from the Group to Zhuhai Kejie pursuant to the Kejie Master Processing Agreement for the year ended 31 July 2015 was HK\$ 5,377,000.

Details of the Kejie Master Processing Agreement were set out in the Company’s announcements dated 22 September 2012 and 24 September 2013 respectively.

The Board, including the independent non-executive Directors, has reviewed and confirmed that each of the continuing connected transactions set out in paragraphs (i) to (iii) had been entered into:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms or better; and
3. according to the relevant agreement governing them on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board confirmed that the Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of each of the continuing connected transactions set out above.



Report of the Directors

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

The auditors of the Company also confirmed that the continuing connected transactions set out in paragraphs (i) to (iii) above:–

1. had been approved by the Board;
2. (where applicable) were in accordance with the pricing policies of the Group;
3. were entered into in accordance with the terms of the agreements relating to these transactions; and
4. the aggregate consideration received or paid in respect of the above continuing connected transactions during the financial year ended 31 July 2015 had not exceeded the cap disclosed in the respective announcements and/or circulars.

Save as disclosed above, there were no other connected transactions which are required to be disclosed in this annual report in accordance with the requirements of Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the law in the Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 July 2015, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 July 2015 are set out in note 25 to the consolidated financial statements of the Group.

INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year ended 31 July 2015 is set out in note 8 to the consolidated financial statements of the Group.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 116 of this report.

Report of the Directors

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 115 of this report.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 10 to the consolidated financial statements of the Group.

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) was established by the Board on 20 January 2002 and was re-constituted on 30 September 2004 and 24 March 2012 respectively. The role, function and composition of the Audit Committee are set out on page 23 of this report.

The Audit Committee has reviewed the Group’s financial statements for the year ended 31 July 2015 and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his independence from the Group and the Company considers each of them to be independent pursuant to Rule 3.13 of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued Shares under the Listing Rules at any time during the financial year ended 31 July 2015.

AUDITORS

PricewaterhouseCoopers will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Beh Kim Ling

Chairman

Macau

26 September 2015

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF V.S. INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of V.S. International Group Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 49 to 112, which comprise the consolidated and company statements of financial position as at 31 July 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report



羅兵咸永道

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2015, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32).

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 September 2015

Consolidated Income Statement

For the year ended 31 July 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	5	1,171,751	1,370,671
Cost of sales		(999,257)	(1,201,844)
Gross profit		172,494	168,827
Other income	6	5,308	4,746
Other losses – net	6	(8,706)	(4,767)
Distribution costs		(67,577)	(69,327)
General and administrative expenses		(96,966)	(92,038)
Operating profit	7	4,553	7,441
Finance income		901	727
Finance costs		(17,362)	(22,138)
Finance costs – net	8	(16,461)	(21,411)
Share of loss of an associate	18	(3,455)	(1,646)
Loss before income tax		(15,363)	(15,616)
Income tax expense	9	(12,975)	(10,113)
Loss for the year attributable to equity holders of the Company		(28,338)	(25,729)
Loss per share attributable to equity holders of the Company during the year (Hong Kong cents)			
Basic and diluted	14	(1.68)	(1.85)

The notes on pages 56 to 112 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2015

	2015 HK\$'000	2014 HK\$'000
Loss and comprehensive loss for the year	(28,338)	(25,729)
Other comprehensive loss for the year		
<i>Items that may not be reclassified subsequently to profit or loss</i>		
Exchange differences	(3,346)	(4,793)
Total comprehensive loss for the year attributable to equity holders of the Company	(31,684)	(30,522)

The notes on pages 56 to 112 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 July 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	527,885	552,700
Land use rights	15	23,811	24,579
Goodwill	16	–	2,172
Interest in an associate	18	16,669	20,124
Prepayments and deposits	20	91,662	1,019
Deferred income tax assets	27	4,352	3,077
		664,379	603,671
Current assets			
Inventories	19	128,048	175,972
Trade and other receivables	20	264,472	328,764
Amounts due from related parties	32	25,201	14,779
Bank deposits	21	22,245	33,254
Cash and cash equivalents	22	74,967	81,309
		514,933	634,078
Total assets		1,179,312	1,237,749
EQUITY			
Capital and reserves			
Share capital	28	91,087	73,900
Share premium	28	264,971	126,282
Reserves	29	179,085	208,809
Total equity attributable to equity holders of the Company		535,143	408,991

Consolidated Statement of Financial Position

At 31 July 2015

	Note	2015 HK\$'000	2014 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	25	146,218	195,015
Deferred income tax liabilities	27	650	2,298
		146,868	197,313
Current liabilities			
Trade and other payables	24	300,158	364,231
Amounts due to related parties	32	1,139	1,443
Derivative financial instruments	23	9	295
Borrowings	25	185,145	254,939
Tax payables		10,850	10,537
		497,301	631,445
Total liabilities		644,169	828,758
Total equity and liabilities		1,179,312	1,237,749
Net current assets		17,632	2,633
Total assets less current liabilities		682,011	606,304

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

Statement of Financial Position

At 31 July 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	17(a)	385,525	385,447
Prepayments	20	42,500	–
		428,025	385,447
Current assets			
Other receivables	20	2	2
Amounts due from subsidiaries	17(b)	57,849	54,266
Cash and cash equivalents	22	379	164
		58,230	54,432
Total assets		486,255	439,879
EQUITY			
Capital and reserves			
Share capital	28	91,087	73,900
Share premium	28	264,971	126,282
Reserves	29	77,240	99,894
Total equity attributable to equity holders of the Company		433,298	300,076
LIABILITIES			
Current liabilities			
Other payables	24	1,976	2,380
Amounts due to subsidiaries	17(b)	50,981	137,423
Total liabilities		52,957	139,803
Total equity and liabilities		486,255	439,879
Net current assets/(liabilities)		5,273	(85,371)
Total assets less current liabilities		433,298	300,076

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

The notes on pages 56 to 112 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 July 2015

	Note	Share capital HK\$'000 (note 28)	Share premium HK\$'000 (note 28)	Reserves HK\$'000 (note 29)	Total equity HK\$'000
Balance at 1 August 2013		67,112	116,778	233,006	416,896
Loss and comprehensive loss for the year		–	–	(25,729)	(25,729)
Other comprehensive loss:					
Exchange difference		–	–	(4,793)	(4,793)
Total comprehensive loss		–	–	(30,522)	(30,522)
Conversion of bonus warrants	28	6,788	9,504	–	16,292
Fair value of employee services under the share options scheme	26	–	–	6,325	6,325
Balance At 31 July 2014		73,900	126,282	208,809	408,991
Balance at 1 August 2014		73,900	126,282	208,809	408,991
Loss and comprehensive loss for the year		–	–	(28,338)	(28,338)
Other comprehensive loss:					
Exchange difference		–	–	(3,346)	(3,346)
Total comprehensive loss		–	–	(31,684)	(31,684)
Issuance of shares upon exercising of share options	26	1,203	8,515	(2,309)	7,409
Issuance of new shares	28	15,984	130,174	–	146,158
Fair value of employee services under the share options Scheme	26	–	–	4,269	4,269
Balance at 31 July 2015		91,087	264,971	179,085	535,143

The notes on pages 56 to 112 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 July 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities			
Cash generated from operations	33	110,776	30,453
Income tax paid		(15,585)	(8,326)
Net cash generated from operating activities		95,191	22,127
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment		(50,838)	(25,324)
Proceeds from sale of property, plant and equipment	33	3,421	8,969
Prepayments for proposed acquisitions	20	(83,693)	–
Decrease/(increase) in bank deposits		10,937	(10,815)
Interest received		901	727
Net cash used in investing activities		(119,272)	(26,443)
Cash flows from financing activities			
Repayment of bank loans		(458,023)	(437,180)
Proceeds from new bank loans		336,858	457,898
Proceeds from shares issued under the share option scheme		7,409	–
Net proceeds from issuance of new shares	28	146,158	–
Proceeds from conversion of bonus warrants to ordinary shares	28	–	16,292
Borrowing costs paid		(17,362)	(22,138)
Net cash generated from financing activities		15,040	14,872
Net (decrease)/increase in cash and cash equivalents		(9,041)	10,556
Cash and cash equivalents at beginning of year	22	67,476	57,305
Effect of foreign exchange rates changes		(246)	(385)
Cash and cash equivalents at end of year	22	58,189	67,476

The notes on pages 56 to 112 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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 Securities Berhad.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 September 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) Effect of adopting amendments and interpretation to existing standards

The following amendments and interpretation to existing standards are mandatory for the Group’s accounting periods beginning on or after 1 August 2014, the adoption of which does not have any significant impact on the results and financial position of the Group.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), “Investment Entities”;

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

- (a) Effect of adopting amendments and interpretation to existing standards (continued)
- Amendments to HKAS 19 (2011), "Employee Benefits – Defined Benefit Plans: Employee Contributions";
 - Amendments to HKAS 32, "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities";
 - Amendments to HKAS 36, "Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets";
 - Amendments to HKAS 39, "Financial Instruments: Recognition and Measurements – Novation of Derivatives and Continuation of Hedge Accounting";
 - HK(IFRIC)-Int 21, "Levies";
 - Annual Improvements to HKFRSs 2010-2012 Cycle; and
 - Annual Improvements to HKFRSs 2011-2013 Cycle.
- (b) New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group
- HKFRS 9, "Financial Instruments"³;
 - HKFRS 14, "Regulatory Deferral Accounts"¹;
 - HKFRS 15, "Revenue from Contracts with Customers"²;
 - Amendments to HKFRS 10, "Consolidated Financial Statements" and HKAS 28 (2011), "Investment in Associate and Joint Ventures" on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹;
 - Amendments to HKFRS 10, "Consolidated Financial Statements", HKFRS 12, "Disclosure of Interests in Other Entities" and HKAS 28 (2011), "Investments in Associates and Joint Ventures" on Investment Entities: Applying the Consolidation Exception¹;
 - Amendments to HKFRS 11, "Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations"¹;

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

- (b) New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group (continued)
- Amendments to HKAS 1 (Revised), "Presentation of Financial Statements – Disclosure Initiative"¹;
 - Amendments to HKAS 16, "Property, Plant and Equipment" and HKAS 41, "Agriculture on Bearer Plants"¹;
 - Amendments to HKAS 16, "Property, Plant and Equipment" and HKAS 38 "Intangible Assets" on Clarification of Acceptable Methods of Depreciation and Amortisation¹;
 - Amendments to HKAS 27 (2011), "Separate Financial Statements – Equity Method in Separate Financial Statements"¹; and
 - Annual Improvements to HKFRSs 2012-2014 Cycle¹.

¹ Effective for the Group for annual periods beginning on or after 1 August 2016

² Effective for the Group for annual periods beginning on or after 1 August 2017

³ Effective for the Group for annual periods beginning on or after 1 August 2018

The Group will apply these new standards and amendments to existing standards in the period of initial application. The Group is currently assessing the impact of the adoption of the above new standards and amendments to existing standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

- (c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622) for an overseas incorporated company listed in Hong Kong will become effective for the Company's financial year ending 31 July 2016 under the Listing Rules. The Group is in the process of making an assessment of expected impact of the changes. So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Consolidation

- (a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

(i) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

(iii) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment, if any. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(c) Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of loss from an associate' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the most senior executive management that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

All foreign exchange gains and losses are presented in the consolidated income statement.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.5 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost mainly represents consideration paid for the rights to use the land on which various plant and buildings are situated for a prescribed period from the date the respective rights were granted. Amortisation of land use rights is calculated on a straight-line basis over the period of leases.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost of each asset to their residual values (if any) over their estimated useful lives as follows:

Buildings	the shorter of the unexpired term of lease and 50 years
Leasehold improvements	the shorter of the unexpired term of lease and 10 years
Plant, moulds and machinery	3 to 10 years
Office equipment, furniture and fixtures	3 to 5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings, the costs of plant and machinery, installation, testing and other direct costs. No depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the relevant assets are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.7 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "bank deposits" and "cash and cash equivalents" in the consolidated statement of financial position (Notes 2.13 and 2.14).

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(b) Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other losses-net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the first in, first out ("FIFO") method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts.

2.15 Share capital

Ordinary shares are classified as equity.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables, other payables and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Borrowing costs (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and an associate, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is legally enforceable rights to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2.20 Employee benefits

(a) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by government or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

All contributions to pension plans are fully and immediately vested and the Group had no unvested benefits available to reduce its future contributions.

(b) Bonus plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense within "finance costs" in the consolidated income statement.

2.22 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values.

Derivative financial instruments that do not qualify for hedge accounting are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

2.24 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the lease periods.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sale of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products and collectivity of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income under operating leases is recognised on a straight-line basis over the term of the lease.

2.26 Financial guarantee

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Financial guarantee (continued)

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest-rate risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly monitors the financial risks of the Group. The use of derivative financial instruments to hedge certain risk exposures is governed by the Group's policies approved by the Board of Directors of the Company. The Group would occasionally enter into certain forward foreign exchange contracts to manage its exchange risks. The Group does not use derivative financial instruments for speculative purposes.

(a) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China with most of the transactions settled in United States dollars ("US\$"), HK\$, and Chinese Renminbi ("RMB"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk from various currency exposures, primarily with respect to US\$.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Foreign exchange risk (continued)

The Group enters into forward foreign exchange contracts to manage its foreign exchange risks, where appropriate.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	US\$		Group		HK\$	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Trade and other receivables	113,254	166,185	5,384	10,549		
Bank deposits	11,610	11,531	–	–		
Cash and cash equivalents	32,930	14,847	653	1,115		
Trade and other payables	(74,944)	(110,006)	(6,030)	(13,286)		
Interest-bearing borrowings	(257,073)	(310,695)	–	(38,833)		
Overall net exposure	(174,223)	(228,138)	7	(40,455)		

As the HK\$ is pegged to the US\$, management considers that the Group's foreign exchange exposures from the US\$ with respect to the HK\$ is relatively insignificant. At 31 July 2015, if the RMB had weakened/strengthened by 5% against the US\$, with all other variables held constant, post-tax loss for the year would have been approximately HK\$5,115,000 higher/lower (2014: HK\$5,527,000 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.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

The carrying amounts of cash at banks, bank deposits, trade receivables, deposits and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. As at the end of the reporting period, 17% (2014: 25%) and 55% (2014: 55%) of the trade receivables are due from the Group's largest customer and the five largest customers respectively.

To manage its credit risk, the Group has policies in place to ensure that products are sold to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Normally the Group does not require collaterals from trade debtors.

Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the trade and other debtors, and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and directors are of the opinion that adequate provision for uncollectible receivables has been made in these financial statements.

The majority of the Group's cash at banks are deposited in major financial institutions located in Hong Kong and Mainland China, which management believes are of high credit quality. Management does not expect any losses arising from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities, and funds generated from operating activities.

The Group's primary cash requirements have been for additions to and upgrades on property, plant and equipment, settlement of borrowings, payment for trade and other payables and payment for operating expenses. The Group mainly finances its working capital requirements through a combination of internal resources and bank borrowings, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and adequate amount of committed credit facilities to meet its liquidity requirements in the short and long term.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payments computed using contractual rates, based on the earliest date on which the Group can be required to pay.

	Within 6 months HK\$'000	Between 6 months and 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
Group					
At 31 July 2015					
Borrowings	129,286	64,613	50,752	101,428	346,079
Trade and other payables	273,749	–	–	–	273,749
Amounts due to related parties	1,139	–	–	–	1,139
At 31 July 2014					
Borrowings	176,779	88,760	198,197	–	463,736
Trade and other payables	325,772	–	–	–	325,772
Amounts due to related parties	1,443	–	–	–	1,443

As at 31 July 2015, derivative financial instruments of the Group are in respect of forward foreign exchange contracts to be settled on a gross basis and would result in cash inflow of HK\$15,657,000 (2014: HK\$159,825,000) and cash outflow of HK\$15,666,000 (2014: HK\$159,900,000) within 1 year after the reporting date. As the derivative financial instruments will all mature within 12 months, the impact of discounting is not significant.

As at 31 July 2015 and 2014, all of the Company's financial liabilities are due for settlement contractually within 12 months.

(d) Cash flow and fair value interest-rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets except for the cash and cash equivalents and bank deposits, details of which are disclosed in notes 21 and 22. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings, details of which are disclosed in note 25. Borrowings carried at floating rates expose the Group to cash flow interest rate risk while those carried at fixed rates expose the Group to fair value interest-rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 July 2015, if the interest rates on borrowings had been 50 basis points higher/lower, with all other variables held constant, post-tax loss for the year would have been HK\$1,236,000 higher/lower (2014: HK\$1,633,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

As at 31 July 2015 and 2014, all the resulting fair value estimates on the derivative financial instruments are included in level 2 according to the fair value measurement hierarchy under HKFRS 7.

The different levels of fair value measurements 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 or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of derivative financial instruments comprising forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value. There was no change in valuation techniques during the year.

As at 31 July 2015 and 2014, all the resulting fair value estimates on the derivative financial instruments were included in level 2.

The carrying amounts of the Group's other current financial assets, including cash and cash equivalents, bank deposits, and trade and other receivables, and the Group's current financial liabilities including trade and other payables, and borrowings, approximate their fair values due to their short maturities.

There was no transfer of financial assets and liabilities in the fair value hierarchy classifications for the years ended 31 July 2015 and 2014.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, return capital to shareholders, issue new shares or obtain new bank borrowings.

The Group also monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents, and bank deposits. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

The table below analyses the Group's capital structure as at 31 July 2015 and 2014:

	2015 HK\$'000	2014 HK\$'000
Total borrowings (note 25)	331,363	449,954
Less: Cash and cash equivalents, and bank deposits (notes 21 and 22)	(97,212)	(114,563)
Net debt	234,151	335,391
Total equity	535,143	408,991
Total capital	769,294	744,382
Gearing ratio	30%	45%

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) Estimated impairment of non-financial assets

Non-financial assets including property, plant and equipment, interest in an associate, land use rights and goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amounts, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of recoverable amount, which is based on the best information available. The Group derives the required cash flow estimates from historical experience and internal business plans. To determine recoverable amount, the Group uses cash flow estimates discounted at an appropriate discount rate, quoted market prices when available and independent appraisals, as appropriate.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting period.

(c) Estimation of provision for impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of receivables. Provisions for impairment are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of receivables and doubtful debt expense in the period in which such estimate is changed.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the most senior executive management of the Company. The senior executive management 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 senior executive management assesses the performance of the single operating segment based on a measure of profit before share of results of an associate, finance income, finance costs and income tax expense. The senior executive management assesses the performance of the following three reportable segments and regards these 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 year consists of the following:

	2015 HK\$'000	2014 HK\$'000
Turnover		
Plastic injection and moulding	685,744	782,249
Assembling of electronic products	400,748	502,192
Mould design and fabrication	85,259	86,230
	1,171,751	1,370,671

The Group's customer base is diversified but includes four (2014: three) individual customers with whom transactions have exceeded 10% of the Group's aggregate revenue for the year ended 31 July 2015. These customers individually contributed 10%, 11%, 13% and 21% of the Group's revenue (2014: 12%, 15% and 16%), respectively.

(i) Segment results, assets and liabilities

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

Segment assets include all tangible and current assets other than interest in an associate, deferred income tax assets and other corporate assets. Segment liabilities include trade payables, accruals and bills payable attributable to the individual segments.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (CONTINUED)

(i) Segment results, assets and liabilities (continued)

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

In addition to receiving segment information regarding “segment result”, management is provided with other segment information in relation to 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 years ended 31 July 2015 and 2014 is set out below.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue from external customers	685,744	782,249	400,748	502,192	85,259	86,230	1,171,751	1,370,671
Reportable segment result	27,631	41,439	42,189	33,414	19,141	9,627	88,961	84,480
Other segment information								
Year ended 31 July								
Depreciation and amortisation for the year	35,980	42,542	8,917	11,453	7,125	9,623	52,022	63,618
Provision/(write-back of provision) for impairment of receivables	4,455	(943)	-	-	-	-	4,455	(943)
(Write-back of provision)/provision for impairment of inventories	(1,204)	977	1,067	-	(162)	-	(299)	977
Impairment of property, plant and equipment	2,140	-	-	-	-	-	2,140	-
Impairment of goodwill	2,172	-	-	-	-	-	2,172	-
Addition to non-current segment assets during the year	16,966	14,003	32,439	5,691	1,034	143	50,439	19,837
As at 31 July								
Reportable segment assets	611,778	738,981	182,737	224,739	83,670	95,403	878,185	1,059,123
Reportable segment liabilities	150,704	178,884	90,781	106,708	6,164	13,584	247,649	299,176

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
Revenue		
Reportable segment revenue	1,171,751	1,370,671
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Consolidated turnover	1,171,751	1,370,671
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Profit or loss		
Reportable segment profit	88,961	84,480
Changes in fair value of forward foreign exchange contracts	(9)	(295)
Net gain on forward foreign exchange contracts	1,561	669
Finance income	901	727
Finance costs	(17,362)	(22,138)
Unallocated depreciation and amortisation	(5,077)	(5,131)
Unallocated head office and corporate expenses	(80,883)	(72,282)
Share of loss of an associate	(3,455)	(1,646)
<hr/>		
Consolidated loss before income tax	(15,363)	(15,616)
<hr/>		
Assets		
Reportable segment assets	878,185	1,059,123
Interest in an associate	16,669	20,124
Deferred income tax assets	4,352	3,077
Unallocated head office and corporate assets	280,106	155,425
<hr/>		
Consolidated total assets	1,179,312	1,237,749
<hr/>		
Liabilities		
Reportable segment liabilities	247,649	299,176
Deferred income tax liabilities	650	2,298
Unallocated head office and corporate liabilities	395,870	527,284
<hr/>		
Consolidated total liabilities	644,169	828,758
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Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (CONTINUED)

Segment

The Group's business is operated in five (2014: six) major economic environments.

Revenue from external customers is analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Mainland China	640,994	747,712
United States of America	288,462	258,238
Europe	133,976	241,014
South East Asia	46,641	41,029
Hong Kong	44,393	44,725
Others	17,285	37,953
	1,171,751	1,370,671

Analysis of the Group's carrying amounts of segment non-current assets has not been presented as over 90% of the non-current assets are located in the People's Republic of China ("PRC").

6 OTHER INCOME AND OTHER LOSSES – NET

	2015 HK\$'000	2014 HK\$'000
Other income		
Rental income	3,680	263
Sales of scrap materials	1,570	2,902
Sundry income	58	1,581
	5,308	4,746
Other losses – net		
Net foreign exchange loss	(1,140)	(1,376)
Changes in fair value of forward foreign exchange contracts	(9)	(295)
Net gain on forward foreign exchange contracts	1,561	669
Net loss on disposal of property, plant and equipment	(4,806)	(3,765)
Impairment of property, plant and equipment	(2,140)	–
Impairment of goodwill	(2,172)	–
	(8,706)	(4,767)

Notes to the Consolidated Financial Statements

7 OPERATING PROFIT

The Group's operating profit is arrived at after charging/(crediting) the following:

	2015 HK\$'000	2014 HK\$'000
Amortisation of land use rights (note 15)	635	638
Auditors' remuneration	1,896	1,827
Cost of inventories	999,257	1,201,844
Depreciation (note 15)	56,464	68,111
Impairment of property, plant and equipment	2,140	–
Impairment of goodwill	2,172	–
Operating lease charges in respect of land and buildings		
– factory and hostel rentals	10,649	10,989
Provision/(write-back of provision) for impairment of		
– trade receivables (note 20)	4,455	47
– other receivables	–	(990)
– inventories (note 19)	(299)	977
Staff costs (note 10)	214,695	257,085

Cost of inventories amounting to HK\$193,412,000 (2014: HK\$231,457,000) is related to staff costs, depreciation, and operating lease charges, which are also included in the respective total amounts disclosed separately above for each type of expense.

8 FINANCE COSTS – NET

	2015 HK\$'000	2014 HK\$'000
Finance income		
Bank interest income	(901)	(727)
Finance costs		
Interest on bank borrowings	13,912	18,778
Less: borrowing costs capitalised as construction in progress	(28)	–
Other finance charges	3,478	3,360
	17,362	22,138
Finance costs – net	16,461	21,411

Note: During the year ended 31 July 2015, the borrowing costs had been capitalised at the Group's weighted average effective interest rate of 3.9% per annum for construction in progress. No borrowing costs had been capitalised during the year ended 31 July 2014.

Notes to the Consolidated Financial Statements

9 INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
Current income tax		
Provision for the year	13,781	10,439
Deferred income tax		
Origination and reversal of temporary differences (note 27)	(806)	(326)
	12,975	10,113

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 years ended 31 July 2015 and 2014.

The Group's subsidiaries established in the PRC are subject to a corporate income tax rate of 25%, except for a subsidiary which had been granted with a preferential rate of 15% from 1 January 2012 to 31 December 2014 whose applicable tax rates have already resumed as 25% afterwards.

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.

The tax charge on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the consolidated companies as follows:

	2015 HK\$'000	2014 HK\$'000
Loss before income tax	(15,363)	(15,616)
Tax calculated at the applicable domestic tax rate of respective companies	(691)	(438)
Tax effect of non-deductible expenses	1,974	2,494
Tax effect of tax losses not recognised	11,223	8,620
Tax effect on withholding tax of retained profits in the PRC subsidiaries	469	(95)
Utilisation of previously unrecognised tax losses	-	(468)
	12,975	10,113

Notes to the Consolidated Financial Statements

10 STAFF COSTS

	2015	2014
	HK\$'000	HK\$'000
Salaries, wages and allowances	196,678	235,035
Contribution to retirement benefit schemes	13,748	15,725
Equity settled share-based payment expenses (note 26)	4,269	6,325
	214,695	257,085

Staff costs include directors' remuneration totalling HK\$12,760,000 (2014: HK\$13,447,000) (note 11).

Subsidiaries of the Company operating in the PRC participate in a government pension scheme whereby the subsidiaries are required to pay annual contributions at rates from 13% to 31% of the standard wages of employees as determined by the relevant authorities in the PRC. Under the scheme, retirement benefits of existing and former employees are payable by the relevant authorities and the Group has no further obligations beyond the annual contributions.

Contributions to the Mandatory Provident Fund ("MPF") are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The Group and its employees in Hong Kong make monthly mandatory contributions to the MPF Scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. With effect from 1 June 2014, the maximum amount of monthly relevant income for MPF mandatory contributions increased from HK\$25,000 to HK\$30,000.

The Group did not operate nor participate in any other scheme for retirement benefits provided to the Group's employees during the year.

Notes to the Consolidated Financial Statements

11 DIRECTORS' REMUNERATION

The remuneration of directors for the year ended 31 July 2015 is set out below:

	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses (note (i)) HK\$'000	Share- based payments (note (ii)) HK\$'000	Total HK\$'000
Executive directors					
Beh Kim Ling	–	5,460	–	391	5,851
Gan Sem Yam	–	2,058	–	391	2,449
Gan Chu Cheng	–	1,470	–	391	1,861
Zhang Pei Yu	–	912	30	391	1,333
Beh Chern Wei (note (iii))	–	–	–	–	–
	–	9,900	30	1,564	11,494
Non-executive director					
Gan Tiong Sia	180	–	–	183	363
Independent non-executive directors					
Diong Tai Pew	280	–	–	49	329
Fu Xiao Nan (appointed with effect from 12 June 2015)	32	–	–	–	32
Lee Soo Gee (resigned with effect from 12 June 2015)	206	–	–	49	255
Tang Sim Cheow	238	–	–	49	287
	756	–	–	147	903
	936	9,900	30	1,894	12,760

Notes to the Consolidated Financial Statements

11 DIRECTORS' REMUNERATION (CONTINUED)

The remuneration of directors For the year ended 31 July 2014 is set out below:

	Fees	Salaries	Discretionary bonuses (note (i))	Share- based payments (note (ii))	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
Beh Kim Ling	–	5,460	–	552	6,012
Gan Sem Yam	–	2,058	–	552	2,610
Gan Chu Cheng	–	1,470	–	552	2,022
Zhang Pei Yu	–	927	38	552	1,517
	–	9,915	38	2,208	12,161
Non-executive director					
Gan Tiong Sia	180	–	–	259	439
Independent non-executive directors					
Diong Tai Pew	240	–	–	69	309
Lee Soo Gee	200	–	–	69	269
Tang Sim Cheow	200	–	–	69	269
	640	–	–	207	847
	820	9,915	38	2,674	13,447

Notes:

- (i) Each of the executive directors is entitled, on completion of every twelve months of service, to a management bonus in respect of each financial year of the Company in an amount to be determined by the board of directors which is subject to a cap.
- (ii) These represent the estimated value of share options granted to the directors under the Company's share option scheme (note 26). The value of these share options was measured according to the Group's accounting policies for share-based payment transactions as set out in note 2.22.
- (iii) Beh Chern Wei was appointed as alternate director to Gan Chu Cheng with effect from 21 March 2015 and no remuneration was received by him during the year in his capacity as alternate director.

Notes to the Consolidated Financial Statements

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2014: three) are directors whose emoluments are disclosed in note 11. The aggregate emoluments in respect of the remaining two (2014: two) individuals are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other emoluments	4,031	4,046
Discretionary bonuses	356	357
Share-based payments	294	414
	4,681	4,817

The emoluments of the two (2014: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2015	2014
HK\$1,000,001-HK\$1,500,000	1	–
HK\$1,500,001-HK\$2,000,000	–	1
HK\$3,000,001-HK\$3,500,000	1	1

There were no amounts paid during the year ended 31 July 2015 (2014: Nil) to the directors or any of the five highest paid individuals as inducement to join or upon joining the Company or the Group or as compensation for loss of office.

13 RESULT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated result attributable to equity shareholders of the Company includes a loss of HK\$24,614,000 (2014: HK\$13,062,000) which has been dealt with in the financial statements of the Company.

Notes to the Consolidated Financial Statements

14 LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK\$28,338,000 (2014: HK\$25,729,000) and the weighted average number of ordinary shares in issue during the year as follows:

	2015	2014
Loss attributable to equity holders of the Company (HK\$'000)	(28,338)	(25,729)
Weighted average number of ordinary shares in issue ('000)	1,687,300	1,389,082
Basic loss per share (Hong Kong cents)	(1.68)	(1.85)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding share options. For the years ended 31 July 2015 and 2014, dilutive earnings per share equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

15 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS

(a) Group

	Buildings	Leasehold improvements	Plant, moulds and machinery	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Sub-total	Land use rights	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost									
At 1 August 2013	373,243	20,077	913,282	68,024	26,725	-	1,401,351	32,198	1,433,549
Additions	717	554	16,830	1,908	1,113	-	21,122	-	21,122
Disposals	-	-	(19,799)	(1,764)	(1,725)	-	(23,288)	-	(23,288)
Exchange adjustments	(2,617)	(140)	(5,540)	(488)	(162)	-	(8,947)	(230)	(9,177)
At 31 July 2014	371,343	20,491	904,773	67,680	25,951	-	1,390,238	31,968	1,422,206
At 1 August 2014	371,343	20,491	904,773	67,680	25,951	-	1,390,238	31,968	1,422,206
Additions	82	2,481	33,763	3,309	4,170	1,188	44,993	-	44,993
Disposals	(750)	-	(32,908)	(8,055)	(5,143)	-	(46,856)	-	(46,856)
Exchange adjustments	(2,038)	(122)	(4,267)	(359)	(119)	(5)	(6,910)	(179)	(7,089)
At 31 July 2015	368,637	22,850	901,361	62,575	24,859	1,183	1,381,465	31,789	1,413,254

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS (CONTINUED)

(a) Group (continued)

	Buildings	Leasehold improvements	Plant, moulds and machinery	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Sub-total	Land use rights	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accumulated depreciation, amortisation and impairment									
At 1 August 2013	83,010	9,581	623,793	50,317	21,961	-	788,662	6,803	795,465
Charge for the year	9,177	1,394	52,457	3,145	1,938	-	68,111	638	68,749
Written back on disposals	-	-	(12,299)	(724)	(1,356)	-	(14,379)	-	(14,379)
Exchange adjustments	(610)	(67)	(3,675)	(359)	(145)	-	(4,856)	(52)	(4,908)
At 31 July 2014	91,577	10,908	660,276	52,379	22,398	-	837,538	7,389	844,927
At 1 August 2014	91,577	10,908	660,276	52,379	22,398	-	837,538	7,389	844,927
Charge for the year	8,921	1,612	41,492	2,712	1,727	-	56,464	635	57,099
Written back on disposals	(710)	-	(25,971)	(7,367)	(4,581)	-	(38,629)	-	(38,629)
Impairment	-	-	2,140	-	-	-	2,140	-	2,140
Exchange adjustments	(533)	(62)	(2,977)	(264)	(97)	-	(3,933)	(46)	(3,979)
At 31 July 2015	99,255	12,458	674,960	47,460	19,447	-	853,580	7,978	861,558
Net book value									
At 31 July 2015	269,382	10,392	226,401	15,115	5,412	1,183	527,885	23,811	551,696
At 31 July 2014	279,766	9,583	244,497	15,301	3,553	-	552,700	24,579	577,279

The analysis of the net book value of properties is as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
Outside Hong Kong		
– Medium-term leases	293,193	304,345
Representing:		
Buildings	269,382	279,766
Land use rights	23,811	24,579
	293,193	304,345

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS (CONTINUED)

At 31 July 2015 and 2014, the Group's land use rights and certain of its property, plant and equipment have been pledged as security for its bank loans (note 25).

Depreciation incurred during the year is attributable to the following:

	2015	2014
	HK\$'000	HK\$'000
Cost of sales	45,820	60,285
Distribution costs	275	240
General and administrative expenses	10,369	7,586
	56,464	68,111

For the purposes of impairment reviews, the following cash generating units ("CGUs") were identified by management:

- Plastic injection and moulding – Zhuhai operations
- Plastic injection and moulding – Qingdao operations
- Assembling of electronic products operations
- Mould design and fabrication operations

During the year, the directors conducted a specific review of the Group's plant and equipment in the CGU of "Plastic injection and moulding – Qingdao operations" as a result of the expected reduction in its scale of operations. Consequently, certain machinery and equipment of this CGU with a total carrying amount of HK\$7,297,000 are not expected to be redeployed in the future and a provision of HK\$2,140,000 was made during the year based on their quoted resale value.

Impairment reviews are also performed by management on the Group's remaining plant and equipment, and the recoverable amount of these assets is determined based on value-in-use calculations of the respective cash generating units.

These calculations use cash flow projections based on the annual financial budgets approved by management. Cash flows beyond the annual period are extrapolated according to a constant-growth assumption covering an eight-year period which in aggregate represents the remaining useful lives of the related assets.

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS (CONTINUED)

The key assumptions used for value-in-use calculations are as follows:

	2015			
	Plastic injection and moulding – Zhuhai operations	Plastic injection and moulding – Qingdao operations	Assembling of electronic products operations	Mould design and fabrication operations
Gross margin	14.3%	6.4%	19.0%	23.4%
Discount rate (pre-tax)	16.0%	16.0%	16.0%	16.0%
	2014			
	Plastic injection and moulding – Zhuhai operations	Plastic injection and moulding – Qingdao operations	Assembling of electronic products operations	Mould design and fabrication operations
Gross margin	16.2%	7.9%	18.3%	16.8%
Discount rate (pre-tax)	16.0%	16.0%	16.0%	16.0%

The budgeted gross margin was determined by management based on past performance and its expectation for market development. The annual discount rates are before tax and reflect market assessments of the time value and the specific risks relating to the relevant segment. Management has considered the above assumptions and valuation and has also taken into account the business plan going forward. Except that a decrease in gross margin by exceeding 0.5%, 1.2% and 0.4% for the CGUs “Plastic injection and moulding – Zhuhai operations”, “Mould design and fabrication operations” and “Assembling of electronic products operations” respectively could result in a shortfall of value-in-use against the carrying amount of machinery and equipment included in the respective CGU, management believes that any reasonably foreseeable change in any of the other key assumptions would not cause the carrying amount of machinery and equipment to exceed the recoverable amount. Judgement is required to determine key assumptions adopted in the cash flow projections and the changes to key assumptions can significantly affect these cash flow projections.

16 GOODWILL

	Group	
	2015 HK\$'000	2014 HK\$'000
At 1 August	2,172	2,172
Less: impairment	(2,172)	–
At 31 July	–	2,172

The Group's goodwill is allocated to the operating segment of “Plastic injection and moulding” in relation to the CGU of Qingdao operations. During the year, management conducted an impairment assessment on the recoverable amount of goodwill and concluded that full impairment provision is required as a result of the expected reduction of operation of this CGU.

Notes to the Consolidated Financial Statements

17 SUBSIDIARIES – COMPANY

(a) Investments in subsidiaries

	2015 HK\$'000	2014 HK\$'000
Unlisted shares/investments, at cost	385,525	385,447

Details of the Group's subsidiaries at 31 July 2015 are set out below.

Name of company	Place of incorporation/ establishment	Place of operation	Particulars of issued and paid up capital	Group's effective interest	Proportion of ownership interest		Principal activities
					Held by the Company	Held by subsidiaries	
V.S. International Industry Limited ("VSIL")	British Virgin Islands ("BVI")	Hong Kong	US\$100	100%	100%	–	Investment holding
V.S. Investment Holdings Limited	BVI	N/A	HK\$54,000,025	100%	100%	–	Dormant
V.S. Corporation (Hong Kong) Co. Limited ("VSHK")	Hong Kong	PRC	HK\$75,000,002 (HK\$75,000,000 non-voting deferred shares and HK\$2 ordinary shares (note (iv)))	100%	–	100%	Trading of electronic products, parts and components, and investment holding
V.S. Technology Industry Park (Zhuhai) Co. Ltd (note (i))	PRC	PRC	US\$36,820,000	100%	–	100%	Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components
Hais Industry (Qingdao) Co Ltd (note (i))	PRC	PRC	RMB32,150,000	100%	–	100%	Dormant
Qingdao GS Electronics Plastics Co., Ltd (note (i))	PRC	PRC	RMB73,980,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
Qingdao GP Electronic Plastics Co., Ltd. (note (ii))	PRC	PRC	US\$11,000,000	100%	–	100%	Dormant
Qingdao GP Precision Mold Co., Ltd (note (i))	PRC	PRC	US\$3,000,000	100%	–	100%	Dormant
VSA Holding Hong Kong Co., Limited	Hong Kong	PRC	HK\$15,600,000	100%	–	100%	Investment holding
Energy Ally Global Limited	BVI	Hong Kong	US\$10,000	100%	100%	–	Investment holding

Notes to the Consolidated Financial Statements

17 SUBSIDIARIES – COMPANY (CONTINUED)

(a) Investments in subsidiaries (continued)

Name of company	Place of incorporation/ establishment	Place of operation	Particulars of issued and paid up capital	Group's effective interest	Proportion of ownership interest		Principal activities
					Held by the Company	Held by subsidiaries	
VSA Electronics Technology (Zhuhai) Co Ltd. (note (iii))	PRC	PRC	US\$15,250,000	100%	–	100%	Assembling and selling of electronic products, parts and components
V.S. Industry (Zhuhai) Co., Ltd. (note (ii))	PRC	PRC	US\$9,540,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
V.S. Holding Vietnam Limited	BVI	Hong Kong	US\$100	100%	100%	–	Investment holding
V.S. Industry Holding Limited	Hong Kong	Hong Kong	HK\$100	100%	100%	–	Investment holding
V.S. ECO-TECH (Zhuhai) Co., Ltd. (notes (ii) & (vi))	PRC	PRC	RMB7,250,000	100%	–	100%	Dormant
V.S. Industrial Product Design (Zhuhai) Co. Ltd. 珠海市威士茂工業產品設計有限公司 (note (vi))	PRC	PRC	RMB1,000,000	100%	–	100%	Product design and trading of electronic products, parts and components

Notes:

- (i) These are wholly foreign owned enterprises established in the PRC.
- (ii) These are sino-foreign equity joint venture companies established in the PRC. The registered capital is held by two of the Company's wholly-owned subsidiaries.
- (iii) This is a foreign equity joint venture company established in the PRC. The registered capital is held by three of the Company's subsidiaries.
- (iv) In accordance with the articles of association of VSHK, any shareholder holding the 75,000,000 non-voting deferred shares are not entitled to any dividend or any participation in the profits or assets of VSHK and is also not entitled to vote at any general meeting.
- (v) The English names of the companies established in the PRC represent the best effort by the directors in translating its Chinese names as they do not have an official English name.
- (vi) The company changed its registered name from V.S. Electronics (Zhuhai) Co. Ltd to V.S. ECO-TECH (Zhuhai) Co., Ltd. on 21 January 2015.

(b) Amounts due from/to subsidiaries

The amounts are interest-free, unsecured and repayable on demand.

Notes to the Consolidated Financial Statements

18 INTEREST IN AN ASSOCIATE

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	20,124	21,770
Share of loss	(3,455)	(1,646)
At end of the year	16,669	20,124

The particulars of the Group's associate as at 31 July 2015 and 2014 are as follows:

Name of company	Form of business structure	Place of incorporation	Place of operation	Particulars of capital	Proportion of ownership interest			Principal activity
					Group's effective interest	Held by subsidiaries	Measurement method	
VS Industry Vietnam Joint Stock Company ("VS Vietnam")	Limited liability company	Vietnam	Vietnam	Legal capital of US\$10,863,000	23.93%	23.93%	Equity method	Manufacturing and selling of plastic moulded products and parts

VS Vietnam is a private company and there is no quoted market price available for its shares.

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

Set out below are the summarised financial information for VS Vietnam which is accounted for using the equity method.

Summarised statement of financial position

	2015 HK\$'000	2014 HK\$'000
Current assets	186,393	182,027
Non-current assets	188,256	216,714
Current liabilities	(289,763)	(298,258)
Non-current liabilities	(15,230)	(16,389)
Net assets	69,656	84,094

Summarised statement of comprehensive income

	2015 HK\$'000	2014 HK\$'000
Revenue	422,465	470,039
Expenses	(436,903)	(476,920)
Total comprehensive loss	(14,438)	(6,881)

Notes to the Consolidated Financial Statements

18 INTEREST IN AN ASSOCIATE (CONTINUED)

Reconciliation of the summarised financial information presented to the carrying amount of its interest in VS Vietnam is as follows:

	2015 HK\$'000	2014 HK\$'000
Opening net assets	84,094	90,975
Total comprehensive loss	(14,438)	(6,881)
Closing net assets	69,656	84,094
Effective interest in an associate	23.93%	23.93%
Interest in an associate	16,669	20,124
Carrying value	16,669	20,124

19 INVENTORIES

Inventories included in the consolidated statement of financial position comprise:

	2015 HK\$'000	2014 HK\$'000
Raw materials	48,669	66,491
Work-in-progress	30,571	49,143
Finished goods	61,441	80,949
Inventories – gross	140,681	196,583
Provision for impairment	(12,633)	(20,611)
Inventories – net	128,048	175,972

Movements in the Group's provision for impairment of inventories are as follows:

	2015 HK\$'000	2014 HK\$'000
Beginning of the year	20,611	19,803
(Write-back of provision)/provision for the year	(299)	977
Write-off	(7,612)	–
Exchange differences	(67)	(169)
End of the year	12,633	20,611

Notes to the Consolidated Financial Statements

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Trade receivables	210,093	253,272	–	–
Bills receivable	55,635	58,676	–	–
Trade and bills receivables – gross	265,728	311,948	–	–
Less: Provision for impairment	(12,238)	(7,838)	–	–
Trade and bills receivables – net	253,490	304,110	–	–
Other receivables, prepayments and deposits	102,644	25,673	42,502	2
Less: Prepayments and deposits (non-current) (note)	356,134 (91,662)	329,783 (1,019)	42,502 (42,500)	2 –
Total trade and other receivables (current)	264,472	328,764	2	2

Note:

The balance mainly represented the prepayments made to third parties in relation to two conditional acquisitions of solar power plant projects in Inner Mongolia and Zhuhai, the PRC amounting to HK\$42,500,000 and HK\$41,193,000 respectively.

On 5 February 2015, the Group entered into an acquisition agreement to acquire from a third party a 20% equity interest of a company involving in a solar energy project in Inner Mongolia for a consideration of RMB44,000,000 (approximately HK\$55,000,000). Pursuant to such agreement (as supplemented), upon completion of the acquisition of the 20% equity interest, the Group will 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 and subject to the fulfilment of certain conditions set out therein. As at 31 July 2015, a prepayment of RMB34,000,000 (approximately HK\$42,500,000) had been paid.

On 16 April 2015, the Group entered into another acquisition agreement (which was subsequently supplemented) to acquire from a third party the entire equity interest of a company involving in solar energy projects in Zhuhai for a consideration of RMB20,000,000 (approximately HK\$25,000,000), and upon completion, the Group would be required to inject additional capital of RMB40,000,000 (approximately HK\$50,000,000) to the target company. As at 31 July 2015, a prepayment of RMB33,000,000 (approximately HK\$41,193,000) had been paid.

As at 31 July 2015, both of these acquisitions have not yet been completed as certain major conditions precedent stipulated in these conditional acquisition agreements, including the obtainment of relevant legal and regulatory approval and the commencement of the solar power plants' operations, have not been fulfilled.

Notes to the Consolidated Financial Statements

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	242,621	238,715
<hr/>		
Past due for:		
Less than 1 month	7,460	35,325
1 to 3 months	1,236	25,586
More than 3 months	14,411	12,322
	23,107	73,233
<hr/>		
	265,728	311,948

As at 31 July 2015, trade receivables of HK\$10,869,000 (2014: HK\$65,395,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

As at 31 July 2015, trade receivables of HK\$12,238,000 (2014: HK\$7,838,000) were impaired and fully provided for. Movements in the Group's provision for impairment of trade receivables are as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 August	7,838	7,843
Provision for impairment (note 7)	4,455	47
Exchange differences	(55)	(52)
	12,238	7,838

The other classes within trade and other receivables do not contain any impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivable mentioned above. The Group does not hold any collateral as security.

Notes to the Consolidated Financial Statements

21 BANK DEPOSITS

	Group	
	2015 HK\$'000	2014 HK\$'000
Time deposits with original maturities of over three months but within one year	–	12,119
Pledged deposits with banks (Note)	22,245	21,135
	22,245	33,254

Note:

The deposits are pledged to banks as security for certain banking facilities, including trade finances, overdrafts and bank loans (note 25).

22 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Cash at banks and on hand	61,236	81,309	379	164
Short-term bank deposits with original maturities of less than three months	13,731	–	–	–
Cash and cash equivalents	74,967	81,309	379	164

Cash, cash equivalents and bank overdrafts include the following for the purposes of the consolidated statement of cash flows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Cash and cash equivalents	74,967	81,309
Bank overdrafts (note 25)	(16,778)	(13,833)
Cash, cash equivalents and bank overdrafts	58,189	67,476

Notes to the Consolidated Financial Statements

23 DERIVATIVE FINANCIAL INSTRUMENTS

	2015 HK\$'000	2014 HK\$'000
Measured at fair value and included in the consolidated statement of financial position as current liabilities		
Forward foreign exchange contracts	9	295

As at 31 July 2015, the Group has certain outstanding forward foreign exchange contracts with long positions in RMB at notional principal amounts of RMB12,543,000, equivalent to HK\$15,657,000 (2014: RMB127,381,000, equivalent to HK\$159,825,000), and short positions in US\$ at notional principal amounts of US\$2,000,000, equivalent to HK\$15,660,000 (2014: US\$20,500,000, equivalent to HK\$159,900,000).

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Trade payables	196,430	240,276	–	–
Bills payable	9,262	9,478	–	–
Trade and bills payables	205,692	249,754	–	–
Payables for the purchase of property, plant and equipment	3,256	2,151	–	–
Accrued expenses and other payables	91,210	112,326	1,976	2,380
Trade and other payables	300,158	364,231	1,976	2,380

The ageing analysis of trade and bills payables is as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Due within 1 month or on demand	125,977	163,371
Due after 1 month but within 3 months	58,615	65,028
Due after 3 months but within 6 months	21,100	21,355
	205,692	249,754

Notes to the Consolidated Financial Statements

25 BORROWINGS

	Group	
	2015	2014
	HK\$'000	HK\$'000
Current		
Short-term bank borrowings, secured	37,449	87,766
Short-term bank borrowings, unsecured	25,349	45,066
Bank overdrafts, secured	16,778	13,833
Trust receipts bank loans, secured	61,384	77,273
Portion of bank borrowings repayable within one year, secured	44,185	31,001
	185,145	254,939
Non-current		
Bank borrowings repayable after one year but within two years, secured	46,510	195,015
Bank borrowings repayable after two years but within five years, secured	99,708	–
	146,218	195,015
Total borrowings	331,363	449,954

As at 31 July 2015 and 2014, the entire amounts of bank overdrafts and trust receipts bank loans are related to banking facilities containing a repayment on demand clause.

The exposure of the Group's borrowings to interest rate changes and the weighted average effective interest rates at the date of financial position are as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
– at floating rates	268,565	342,121
	2015	2014
	HK\$'000	HK\$'000
Trust receipt bank loans	2.5%	2.4%
Bank overdrafts	6.5%	6.5%
Other bank borrowings	2.9%	3.3%

As at 31 July 2015, the Group's borrowings of HK\$62,798,000 (2014: HK\$107,833,000) are carried at fixed rates and bear interest at rates ranging from 3.9% to 7.3% per annum (2014: 6.0% to 7.2% per annum).

Notes to the Consolidated Financial Statements

25 BORROWINGS (CONTINUED)

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

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank deposits (note 21)	22,245	21,135	–	–
Buildings (note 15)	238,154	274,546	–	–
Plant and machinery (note 15)	47,509	48,948	–	–
Land use rights (note 15)	19,908	24,579	–	–
	327,816	369,208	–	–

The above-mentioned secured banking facilities, including trade finances, overdrafts and bank loans, totalling HK\$376,692,000 (2014: HK\$481,679,000), were utilised to the extent of HK\$306,014,000 at 31 July 2015 (2014: HK\$404,888,000). The Group's banking facilities also included certain unsecured banking facilities, totalling HK\$102,983,000 (2014: HK\$185,790,000), which were utilised to the extent of HK\$25,349,000 at 31 July 2015 (2014: HK\$45,066,000).

26 SHARE OPTION SCHEME

Pursuant to the resolution duly passed at the extraordinary general meeting of the Company ("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 EGM. As at the date of the EGM, there were 1,156,034,666 shares of the Company in issue. Accordingly, the initial mandate was 115,603,466 shares of the Company.

Pursuant to the resolution passed by the directors at a meeting of the Board on 16 December 2013, the board approved the grant of 110,100,000 share options under the rules of the share options scheme at an exercise price of HK\$0.308 per share. The options' fair value of HK\$12,654,000 was measured at the grant date using the binomial option pricing model (note 26(c)). During the year ended 31 July 2015, an amount of HK\$4,269,000 (year ended 31 July 2014: HK\$6,325,000) was recognised as employee costs with a corresponding increase in capital reserve within equity.

Pursuant to the resolution duly passed at the annual general meeting of the Company ("AGM") held on 17 December 2014, 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 AGM. As at the date of the AGM, there were 1,763,221,547 shares of the Company in issue. Accordingly, the refreshed mandate was 176,322,154 shares of the Company.

Notes to the Consolidated Financial Statements

26 SHARE OPTION SCHEME (CONTINUED)

- (a) Terms and conditions of share options granted during the year ended 31 July 2015 are as follows, whereby all options are to be settled by physical delivery of shares:

Date granted	Vesting period	Exercisable period	Exercise price per option HK\$	Number of options
16 December 2013	16 December 2013 to 31 July 2014	1 August 2014 to 31 July 2017	0.308	36,700,000
	16 December 2013 to 31 July 2015	1 August 2015 to 31 July 2017	0.308	36,700,000
	16 December 2013 to 31 July 2016	1 August 2016 to 31 July 2017	0.308	36,700,000
				110,100,000

Pursuant to the rules of the share option scheme, the options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, ill-health or retirement.

- (b) The number and weighted average exercise prices of share options are as follows:

	2015		2014	
	Weighted average exercise price HK\$	Number of options '000	Weighted average exercise price HK\$	Number of options '000
Outstanding at the beginning of the year	0.308	110,100	N/A	–
Exercised during the year	0.308	(24,056)	N/A	–
Lapsed during the year	0.308	(2,400)	N/A	–
Granted during the year	N/A	–	0.308	110,100
Outstanding at the end of the year	0.308	83,644	0.308	110,100
Exercisable at the end of the year	0.308	12,644	N/A	–

During the year ended 31 July 2015, 2,400,000 share options lapsed as certain employees ceased to be employees of the Group for reasons other than death, ill-health or retirement.

In addition, during the year ended 31 July 2015, 24,056,000 share options were exercised. The gross proceeds received by the Company were HK\$7,409,000, among which HK\$1,203,000 and HK\$8,515,000 was credited to share capital account and share premium account respectively, and HK\$2,309,000 was debited to employee share-based capital reserve.

Notes to the Consolidated Financial Statements

26 SHARE OPTION SCHEME (CONTINUED)

(b) The number and weighted average exercise prices of share options are as follows: (continued)

The share options outstanding as at 31 July 2015 had an exercise price of HK\$0.308 (2014: HK\$0.308).

(c) Fair value of options and assumptions

The fair value of services received in return for options granted is measured by reference to the fair value of options granted. The estimate of the fair value of the options granted is measured based on a binomial option pricing model to reflect the impact of vesting period, exit rate and exercise pattern on the option value.

Fair value of options and assumptions

Fair value at measurement date (weighted average)	HK\$12,654,000
Share price	HK\$0.300
Exercise price	HK\$0.308
Expected volatility (expressed as weighted average volatility used in the modelling under the binomial model)	64.81%
Option life (expressed as weighted average life used in the modeling under the binomial model)	3.6 years
Expected dividends	0%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.735%

The expected volatility is based on the historic volatility (the Company's share price over one year prior to the grant date and in contrast to companies with similar businesses), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received.

Notes to the Consolidated Financial Statements

27 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Deferred tax assets:		
– to be recovered after more than 12 months	4,352	3,077
Deferred tax liabilities:		
– to be recovered after more than 12 months	(650)	(2,298)
Deferred tax assets – net	3,702	779

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Group		
	Deferred tax on the impairment losses of trade receivables and inventories HK\$'000	Withholding tax on future dividend income from PRC subsidiaries HK\$'000	Total HK\$'000
At 1 August 2013	2,846	(2,393)	453
Credited to profit or loss (note 9)	231	95	326
At 31 July 2014	3,077	(2,298)	779
At 1 August 2014	3,077	(2,298)	779
Payment of withholding tax	–	2,117	2,117
Credited/(charged) to profit or loss (note 9)	1,275	(469)	806
At 31 July 2015	4,352	(650)	3,702

The Group did not recognise deferred income tax assets of HK\$55,638,000 (2014: HK\$52,231,000) in respect of tax losses amounting to HK\$233,649,000 (2014: HK\$213,843,000) that can be carried forward against future taxable income, which will expire between 2016 and 2020 (2014: 2015 to 2019).

Notes to the Consolidated Financial Statements

28 SHARE CAPITAL AND SHARE PREMIUM

	Group and Company					
	2015			2014		
	Number of shares (‘000)	Share capital HK\$‘000	Share premium HK\$‘000	Number of shares (‘000)	Share capital HK\$‘000	Share premium HK\$‘000
Authorised:						
Ordinary shares of HK\$0.05 each	4,000,000	200,000	–	4,000,000	200,000	–
Issued and fully paid:						
At beginning of year	1,478,002	73,900	126,282	1,342,234	67,112	116,778
Conversion of bonus warrants (note (i))	–	–	–	135,768	6,788	9,504
Issuance of share upon exercising of share options (note 26(b))	24,056	1,203	8,515	–	–	–
Issue of new shares (note (ii))	319,680	15,984	130,174	–	–	–
At end of year	1,821,738	91,087	264,971	1,478,002	73,900	126,282

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:

(i) Conversion of bonus warrants to ordinary shares

On 16 March 2011, 288,992,000 ordinary shares of the Company were issued at the subscription price of HK\$0.12 each by way of rights issue. Upon the completion of and in connection with the rights issue, an aggregate of 144,496,000 bonus warrants were issued to the subscribers on the basis of one bonus warrant for every two rights shares taken up, whereby options were issued to the subscribers to subscribe for ordinary shares at an exercise price of HK\$0.12 per share for the period from 16 March 2011 to 15 March 2014.

Approximately 135,768,000 bonus warrants were exercised and converted into ordinary shares during the year ended 31 July 2014. An amount equivalent to the par value of the shares issued of HK\$6,788,000 was recognised as share capital For the year ended 31 July 2015. The premium paid on the conversion of the shares of HK\$9,504,000 was credited to share premium. As At 31 July 2015, there are no outstanding bonus warrants.

(ii) On 9 December 2014, 266,680,000 new shares were issued at the subscription price of HK\$0.45 each. The gross proceeds received by the Company were HK\$120,006,000, among which HK\$13,334,000 was credited to share capital account and the balance of HK\$103,856,000 (net of professional fee of HK\$2,816,000) was credited to the share premium account.

In addition, on 9 March 2015, 53,000,000 new shares were issued at the subscription price of HK\$0.55 each. The gross proceeds received by the Company were HK\$29,150,000, among which HK\$2,650,000 was credited to share capital account and the balance of HK\$26,318,000 (net of professional fee of HK\$182,000) was credited to the share premium account.

Notes to the Consolidated Financial Statements

29 RESERVES

Group

	Note	Capital reserves HK\$'000	Foreign exchange translation reserve HK\$'000	Statutory reserve fund HK\$'000 (note (i))	Employee share-based capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 August 2013		9,584	181,911	45,137	–	(3,626)	233,006
Loss and comprehensive loss for the year		–	–	–	–	(25,729)	(25,729)
Other comprehensive loss:							
Exchange differences		–	(4,793)	–	–	–	(4,793)
Total comprehensive loss		–	(4,793)	–	–	(25,729)	(30,522)
Fair value of employee services under the share options scheme	26	–	–	–	6,325	–	6,325
Balance At 31 July 2014 and 1 August 2014		9,584	177,118	45,137	6,325	(29,355)	208,809
Loss and comprehensive loss for the year		–	–	–	–	(28,338)	(28,338)
Other comprehensive loss:							
Exchange differences		–	(3,346)	–	–	–	(3,346)
Total comprehensive loss		–	(3,346)	–	–	(28,338)	(31,684)
Issuance of shares upon exercising of share options	26	–	–	–	(2,309)	–	(2,309)
Appropriation (note (i))		–	–	22,036	–	(22,036)	–
Fair value of employee services under the share options scheme	26	–	–	–	4,269	–	4,269
Balance at 31 July 2015		9,584	173,772	67,173	8,285	(79,729)	179,085

Notes to the Consolidated Financial Statements

29 RESERVES (CONTINUED)

Company

	Contributed surplus	Employee share-based capital reserve	Accumulated losses	Total
	HK\$'000 (note (ii))	HK\$'000 (note (iii))	HK\$'000	HK\$'000
Balance at 1 August 2013	138,706	–	(32,075)	106,631
Loss for the year	–	–	(13,062)	(13,062)
Fair value of employee services under the share options scheme	–	6,325	–	6,325
Balance At 31 July 2014 and 1 August 2014	138,706	6,325	(45,137)	99,894
Loss for the year	–	–	(24,614)	(24,614)
Issuance of shares upon exercising of share options	–	(2,309)	–	(2,309)
Fair value of employee services under the share options scheme	–	4,269	–	4,269
Balance at 31 July 2015	138,706	8,285	(69,751)	77,240

Notes to the Consolidated Financial Statements

29 RESERVES (CONTINUED)

Notes:

(i) Statutory reserve fund

According to the articles of association of the subsidiaries of the Company in the PRC, the subsidiaries are required to transfer at least 10% of their net profit, as determined in accordance with PRC accounting rules and regulations applicable to enterprises with foreign investment, to the statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend.

The statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into capital.

(ii) Share premium and contributed surplus

(a) Under the Companies Law of the Cayman Islands, the funds in the share premium account and contributed surplus account of the Company are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Pursuant to a reorganisation, the Company became the holding company of the Group on 20 January 2002. The excess of the consolidated net assets represented by the shares acquired over the nominal value of shares issued by the Company in exchange under the reorganisation was transferred to contributed surplus. In the consolidated financial statements, capital reserves represents the difference between (a) the nominal value of shares of the subsidiaries acquired; and (b) the nominal value of the shares issued by the Company in exchange under the reorganisation of the Group on 20 January 2002.

(iii) Employee share-based capital reserve

Employee share-based capital reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group in accordance with the accounting policy adopted for share-based payments in note 2.22.

30 DIVIDENDS

No dividend has been paid or declared by the Company for the years ended 31 July 2015 and 2014.

Notes to the Consolidated Financial Statements

31 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 July 2015 not provided for in the financial statements are as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
Contracted for	18,414	–

(b) Operating lease commitments

The Group as lessee

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

	Group	
	2015	2014
	HK\$'000	HK\$'000
Within one year	5,301	5,593

The Group as lessor

As at 31 July 2015 and 2014, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	Group	
	2015	2014
	HK\$'000	HK\$'000
Within one year	6,392	524
Later than one year and not later than five years	2,540	328
	8,932	852

As at 31 July 2015 and 2014, the Company does not have any significant commitments.

Notes to the Consolidated Financial Statements

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following significant related party transactions:

	2015 HK\$'000	Group 2014 HK\$'000
Sales to the ultimate holding company	13,924	14,375
Sales to an associate	21,296	9,002
	35,220	23,377
Operating lease charges paid and payable to a company controlled by a director	9,289	9,323
Purchase of fabricated moulds and certain moulded products and parts from a company controlled by the family member of a director	6	507
Management fee paid and payable to a company controlled by a director	635	673
Sub-contracting fee paid and payable to a company controlled by the family member of a director	5,377	9,782
Repair and maintenance services paid and payable to a company controlled by the family member of a director	686	991

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

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

	2015 HK\$'000	Group 2014 HK\$'000
Amount due from a company controlled by a director	2,607	2,267
Amount due from an associate (note)	20,830	6,359
Amount due from the ultimate holding company	1,764	6,140
Amount due from a company controlled by the family member of a director	-	13
	25,201	14,779

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

Notes to the Consolidated Financial Statements

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

Note:

The entire amount due from an associate arises from trading transactions which is interest-free and unsecured, an aging analysis based on due date is as follows:

	2015	Group
	HK\$'000	2014
		HK\$'000
Due within 1 month or on demand	11,706	5,845
Due after 1 month but within 3 months	2,503	514
Due after 3 months but within 6 months	2,802	–
Due over 6 months	3,819	–
	20,830	6,359

The maximum exposure to credit risk is the fair value of the above receivables. The Group grant its associate credit term mainly ranging from 60 to 90 days.

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

	2015	2014
	HK\$'000	HK\$'000
Amounts due to directors	206	205
Amount due to the ultimate holding company	209	21
Amount due to a company controlled by the family member of a director	724	1,217
	1,139	1,443

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

(d) Key management personnel remuneration

The Group has not identified any person, other than the directors of the Company, having the authority and responsibility for planning, directing and controlling the activities of the Group. Details of the remuneration of the directors of the Company are set out in note 11.

Notes to the Consolidated Financial Statements

33 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Note	2015 HK\$'000	2014 HK\$'000
Loss before income tax		(15,363)	(15,616)
Adjustments for:			
– Finance costs	8	17,362	22,138
– Interest income	8	(901)	(727)
– Fair value of derivative financial instruments		(286)	6,121
– Amortisation of land use rights	7	635	638
– Depreciation	7	56,464	68,111
– Share of loss of an associate		3,455	1,646
– Impairment of goodwill	16	2,172	–
– Impairment of property, plant and equipment	6	2,140	–
– Net loss on disposal of property, plant and equipment		4,806	3,765
– Equity settled share-based payment expenses	10	4,269	6,325
Changes in working capital:		74,753	92,401
Inventories		47,924	(51,828)
Trade and other receivables		64,157	(34,833)
Amounts due from related companies		(10,422)	(9,397)
Amounts due to related companies		(304)	(3,007)
Trade and other payables		(65,332)	37,117
Cash generated from operations		110,776	30,453

(b) Loss on disposal of property, plant and equipment is arrived at as follows:

	2015 HK\$'000	2014 HK\$'000
Net book amount disposed	8,227	8,909
Proceeds received	(3,421)	(8,969)
Proceeds received in relation to last year's receivables from disposal of property, plant and equipment	–	3,825
Loss on disposals	4,806	3,765

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew
 Tang Sim Cheow
 Fu Xiao Nan

AUDIT COMMITTEE OF THE BOARD

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

REMUNERATION COMMITTEE OF THE BOARD

Fu Xiao Nan
(Chairman of the Remuneration Committee)
 Diong Tai Pew
 Beh Kim Ling

NOMINATION COMMITTEE OF THE BOARD

Tang Sim Cheow
(Chairman of the Nomination Committee)
 Diong Tai Pew
 Gan Chu Cheng

COMPANY SECRETARY

Ng Ting On, Polly

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PRINCIPAL BANKERS

Malayan Banking Berhad
 Industrial & Commercial Bank of China Ltd.
 Agricultural Bank of China
 China Resources Bank of Zhuhai

SUBSIDIARIES

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 V.S. Holding Vietnam Limited
 Energy Ally Global Limited
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 Road Town, Tortola
 British Virgin Islands

V.S. Investment Holdings Limited
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V.S. Industry Holding Limited
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V.S. Industry (Zhuhai) Co., Ltd.
VSA Electronics Technology (Zhuhai) Co., Ltd.
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Fax No: (84) 241 3634 308

Group Properties

MAJOR PROPERTIES HELD FOR OWN USE

Location	Existing use	Term of lease	Group's interest (%)
Outside Hong Kong			
Phase I, II, III, IV, V and VI of an industrial complex situated at Beisha Village Tangjia Wan Town Xiangzhou District Zhuhai Guangdong Province The People's Republic of China	Industrial	Medium	100
An industrial complex situated at Qianwangang Road South Haier International Industrial Park Qingdao Economic and Technology Development Zone Huangdao District Qingdao Shandong Province The People's Republic of China	Industrial	Medium	100
An industrial complex situated at Hetao Export Processing Zone, Chengyang District Qingdao Shandong Province The People's Republic of China	Industrial	Medium	100

Five Years Summary

(Expressed in Hong Kong dollars)

	2015	2014	2013	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000
Results					
Turnover	1,171,751	1,370,671	1,220,632	1,513,099	1,629,534
Profit/(loss) from operations	4,553	7,441	(3,017)	(23,801)	(3,002)
Finance costs – net	(16,461)	(21,411)	(21,971)	(35,016)	(39,806)
Share of profits less losses of associates	(3,455)	(1,646)	(3,520)	(590)	3,778
Loss before taxation	(15,363)	(15,616)	(28,508)	(59,407)	(39,030)
Income tax expense	(12,975)	(10,113)	(9,689)	(14,289)	(22,128)
Loss for the year	(28,338)	(25,729)	(38,197)	(73,696)	(61,158)
Attributable to:					
Equity holders of the Company	(28,338)	(25,729)	(38,197)	(73,785)	(61,047)
Non-controlling interests	–	–	–	89	(111)
Loss for the year	(28,338)	(25,729)	(38,197)	(73,696)	(61,158)
Assets and liabilities					
Non-current assets	664,379	603,671	665,449	724,999	843,840
Current assets	514,933	634,078	541,230	640,445	884,525
Total assets	1,179,312	1,237,749	1,206,679	1,365,444	1,728,365
Current liabilities	(497,301)	(631,445)	(561,220)	(693,940)	(1,000,297)
Non-current liabilities	(146,868)	(197,313)	(228,563)	(270,437)	(256,862)
NET ASSETS	535,143	408,991	416,896	401,067	471,206
Share capital	91,087	73,900	67,112	57,801	57,798
Reserves	444,056	335,091	349,784	343,266	410,778
Non-controlling interests	–	–	–	–	2,630
TOTAL EQUITY	535,143	408,991	416,896	401,067	471,206
Loss per share					
Basic and diluted	Note (1.68) cents	(1.85) cents	(3.04) cents	(6.38) cents	(6.22) cents

Note:

During the year ended 31 July 2011, 2012, 2013, 2014 and 2015 the effects of share options and bonus warrants are anti-dilutive.