V.S. International Group Limited
威鋮國際集團有限公司

(incorporated in the Cayman Islands with limited liability)
(stock code: 1002)

Annual Report 2016/17

Contents

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.

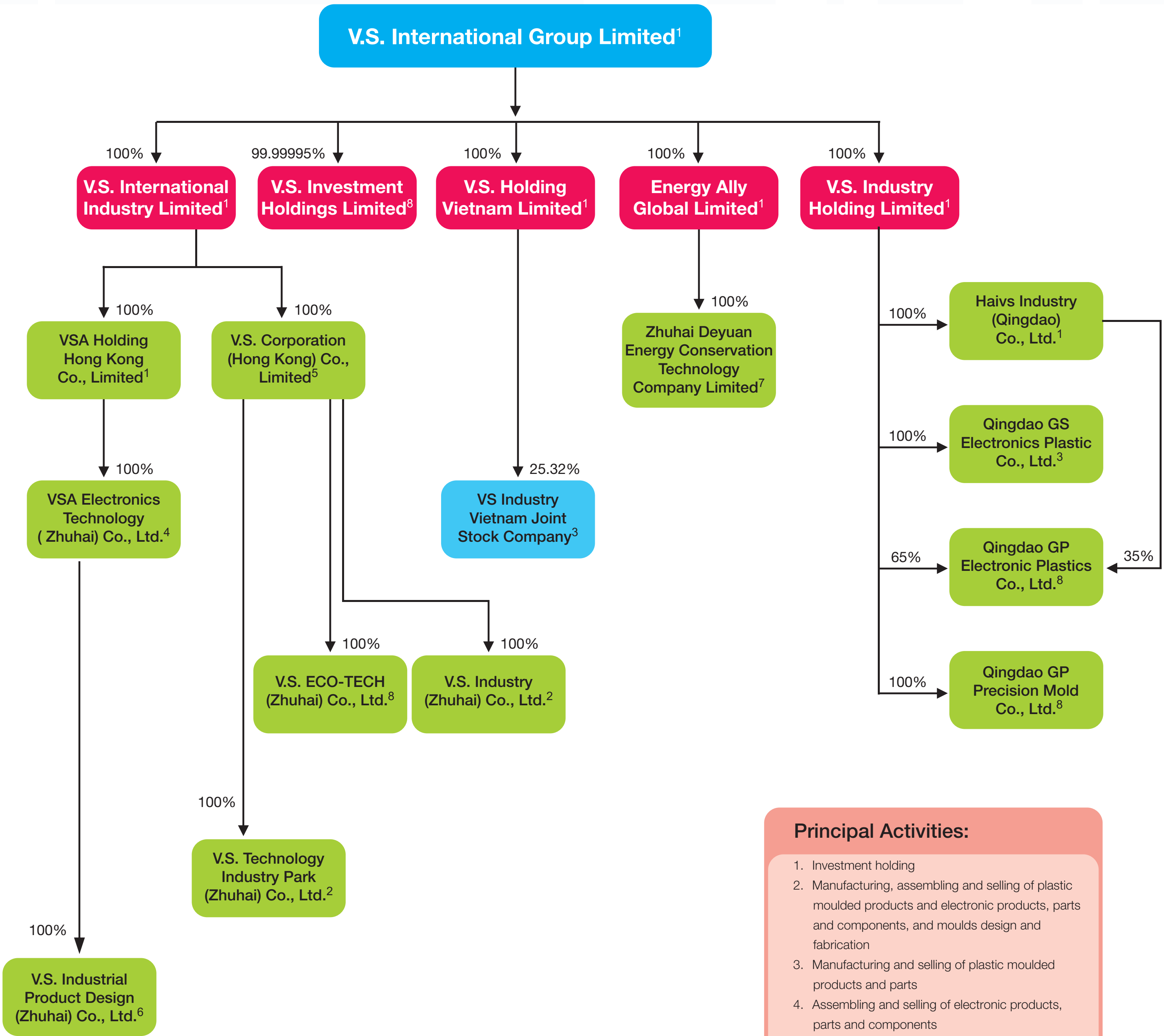
The Group commenced its business in 1997 in Shenzhen, the People's Republic of China ("PRC") and was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") in February 2002. The Company is a subsidiary of V.S. Industry Berhad, a company incorporated in Malaysia with limited 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 23 September 2017



Principal Activities:

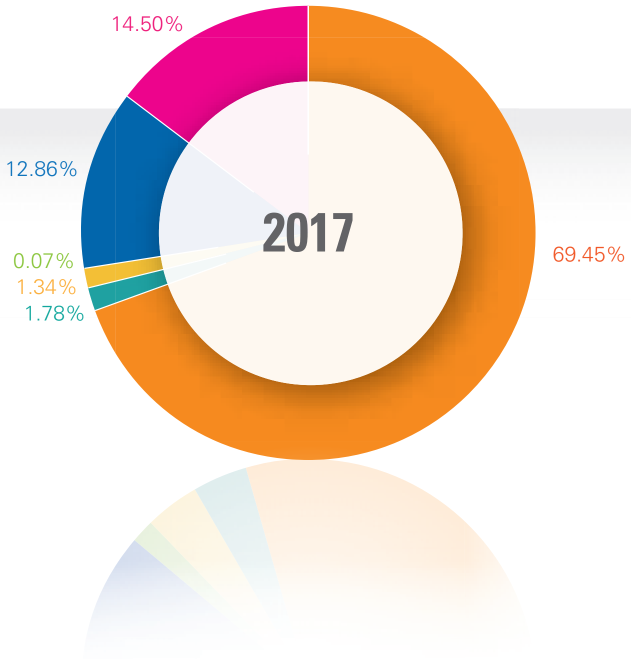
1. Investment holding
2. Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components, and moulds design and fabrication
3. Manufacturing and selling of plastic moulded products and parts
4. Assembling and selling of electronic products, parts and components
5. Trading of electronic products, parts and components, and investment holding
6. Product design and trading of electronic products, parts and components
7. Operation and management of rooftop solar plant
8. Dormant

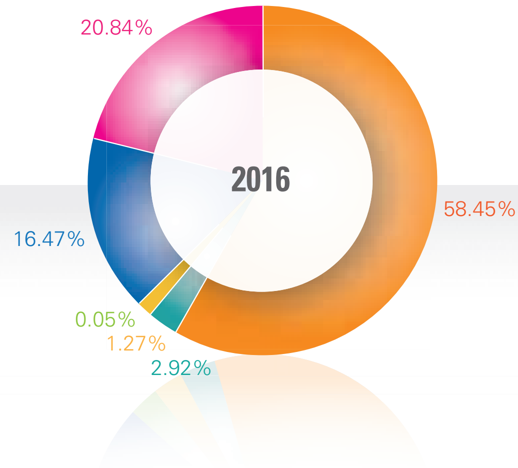
Financial Highlights

Key Financial Data	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total equity	**426,207**	399,892	428,100	325,756	329,644
Total assets	**1,069,211**	894,853	944,747	986,564	954,965
Net borrowings	**173,757**	191,612	187,577	267,173	265,901
Capital expenditure	**108,771**	89,395	35,882	16,756	9,687
Gearing ratio (net) (%)	**16.25%**	21.41%	19.85%	27.08%	27.84%
Finance costs over turnover (%)	**1.11%**	1.37%	1.48%	1.62%	1.89%
Inventory turnover days	**46**	47	47	53	41
Trade and bills receivables turnover days	**62**	81	79	81	77
Trade and bills payables turnover days	**78**	81	75	76	76

Sales Breakdown by Geographical Locations

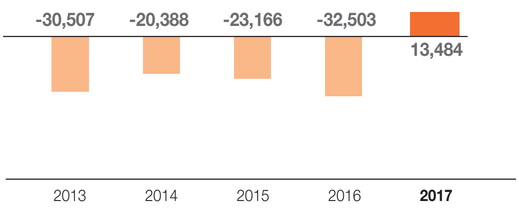
- Mainland China
- Hong Kong
- South East Asia
- Europe
- United States of America
- Others



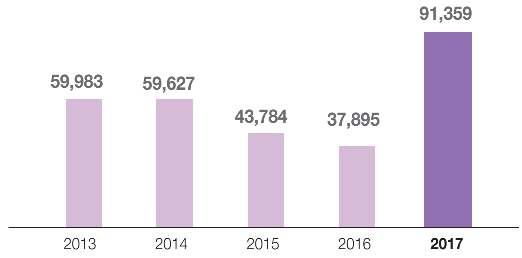


Financial Highlights

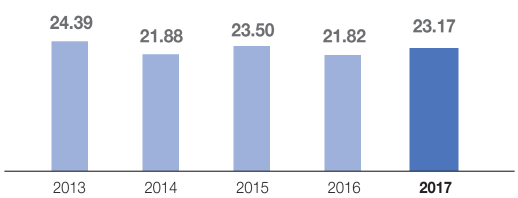
Profit/(Loss) Attributable to Owners (RMB'000)



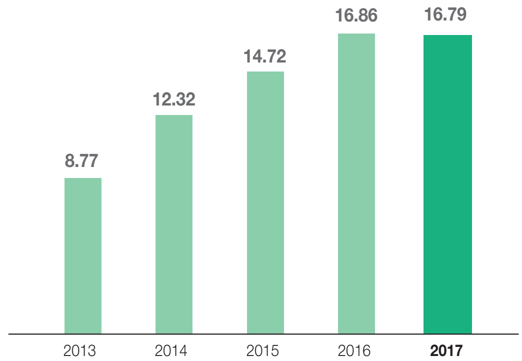
EBITDA (RMB'000)
(Earnings before interest, tax, depreciation and amortisation)



Net Tangible Assets Per Share (RMB cents)

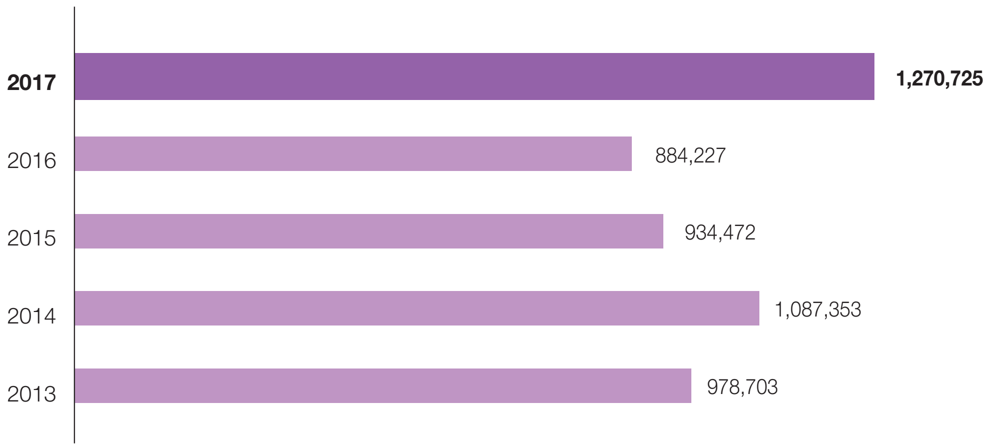


Gross Profit Margin (%)



Sales Breakdown by Business Segments

(RMB'000)



(RMB'000)	**2017**	2016	2015	2014	2013
Plastic injection and moulding	**552,578**	503,483	546,881	620,558	585,158
Assembling of electronic products	**646,787**	319,151	319,596	398,389	345,499
Mould design and fabrication	**71,360**	61,593	67,995	68,406	48,046

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 2017.

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 original design manufacturer ("ODM") products in prior years which has contributed significantly to the improvement in gross profit.

FINANCIAL HIGHLIGHTS

The Group's revenue for the financial year was RMB1,270.73 million as compared to RMB884.23 million in the previous financial year, representing a significant increase of 43.71%. However, the Group's gross profit margin decreased slightly from 16.86% to 16.79% and the Group's gross profit increased from RMB149.07 million to RMB213.38 million. Profit attributable to owners of the Company recorded at RMB13.48 million as compared to loss of RMB32.50 million in the previous financial year.

DIVIDENDS

The Board does not recommend any payment of dividend for the financial year ended 31 July 2017 (2016: nil) at the forthcoming annual general meeting of the Company.

CORPORATE DEVELOPMENT

In September 2017, the Group has successfully raised cash proceeds of approximately RMB89.12 million (equivalent to approximately HK$105.80 million) from a rights issue at a subscription price of HK$0.23 per rights share on basis of one rights share for every four existing shares.

FUTURE PROSPECTS AND CHALLENGES

With the robust economic growth and growing consumerism in China, the living standard has been improved which leads to growing health awareness among Chinese population. This becomes a key driver of consumption growth of health care appliances. The revenue of the Group increased, in particular, the assembling of related health care products business segment.

The Group would continue to strengthen its revenue base by focusing on assembling of home health care related products and constantly explore new customers to diversify its customer base in this segment. In line with such strategy, the Group plans to deploy more resources on building complimentary seasonal products on the usage of new high tonnage injection machinery to widen its available product range and increase its overall utilization level. The expansion of production capacity of the assembly lines to enhance its production efficiency.

To alleviate the pressure from increasing labour cost in China, the Group would continue to invest in automated infrastructure to streamline the manufacturing process, reduce dependency on labour and to maintain high product quality.

The Group would continue to explore different initiatives, including but not limited to merger and acquisition, disposal and cooperation, to enhance the performance of each business segment at each geographical area.

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

During the financial year, the Group recorded higher revenue, gross profit and profit attributable to owners of the Company due to its strategy to focus on higher value-added products and selling of its new ODM.

FINANCIAL REVIEW

Revenue, Gross Profit and Segment Results

During the financial year, the Group recorded a revenue of RMB1,270.73 million, representing a significant increase of RMB386.50 million or 43.71% from RMB884.23 million in the previous year. The major contributor of the Group's revenue was its assembling of electronics products division which accounted for 50.90% (2016: 36.09%) of the Group's revenue, and the remaining from plastic injection and moulding division and mould design and fabrication division which accounted for 43.48% (2016: 56.94%) and 5.62% (2016: 6.97%) of the Group's revenue respectively.

In line with the Group's two-pronged strategy of focusing on higher value-added products and developing its ODM products, gross profit increased by RMB64.31 million and recorded at RMB213.38 million, representing 16.79% of its revenue during the financial year as compared to gross profit of RMB149.07 million, representing 16.86% of its revenue in the previous year.

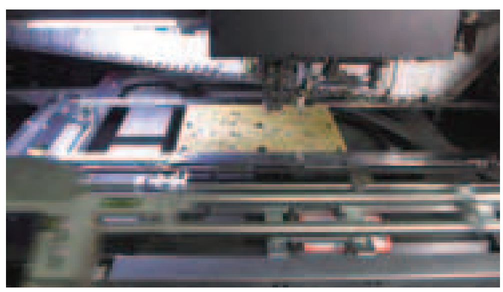
Plastic Injection and Moulding

The Group recorded a revenue of RMB552.58 million for this segment as compared to RMB503.48 million for the corresponding financial year in 2016, representing an increase of RMB49.10 million or 9.75%.

The Group's operation in Zhuhai has contributed a revenue of RMB266.46 million as compared to RMB277.79 million in the previous year. Meanwhile, the Group's operation in Qingdao recorded a revenue of RMB286.12 million during the financial year, which represented an increase of 26.78% from RMB225.69 million in the previous financial year.

Assembling of Electronic Products

This segment recorded a revenue of RMB646.79 million, representing a significant increase of RMB327.64 million or 102.66% from RMB319.15 million for the corresponding financial year in 2016. The significant increase in revenue of this segment was mainly attributable to substantial increase in the amount of purchase orders of an ODM product placed by customers with the Group.



Management Discussion and Analysis of Results of Operations

Mould Design and Fabrication

The mould design and fabrication segment recorded a revenue of RMB71.36 million, representing an increase of RMB9.76 million or 15.84% as compared to RMB61.60 million for the corresponding financial year in 2016.

Other Losses – Net

During the financial year, the Group incurred other net loss of RMB4.74 million (2016: RMB38.83 million), which comprised mainly net loss on disposal of property plant and equipment of RMB2.70 million and net foreign exchange loss of RMB2.04 million.

Distribution Costs

Distribution costs for the financial year amounted to RMB68.88 million, representing an increase of RMB15.88 million or 29.96% from RMB53.00 million in the previous financial year. The increase was in line with the increase in the revenue of the Group for the financial year.

General and Administrative Expenses

General and administrative expenses amounted to RMB99.52 million for the financial year, representing an increase of RMB22.75 million or 29.63% as compared to RMB76.77 million for the corresponding financial year in 2016. The increase was primarily due to the increase in equity settled share-based payment expenses of RMB9.34 million and research and development expenses of RMB7.73 million during the financial year.

Finance Costs – Net

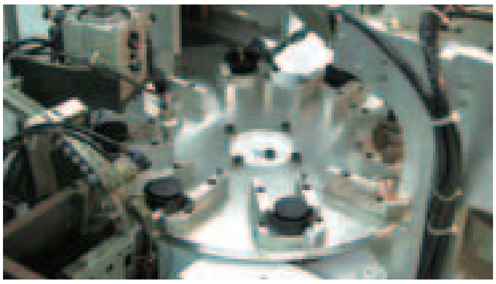
The net finance costs for the year increased by 5.36% to RMB12.38 million (2016: RMB11.75 million). The increase was mainly due to higher interest-bearing borrowings during the financial year.

Share of (Loss)/Profit of an Associate

The Group's share of loss of an associate of RMB9.85 million (2016: profit of RMB2.53 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, bank borrowings and finance lease liabilities. As at 31 July 2017, the Group had cash and bank deposits of RMB120.83 million (2016: RMB58.57 million), of which RMB70.67 million (2016: RMB12.99 million) was pledged to banks for the facilities granted to the Group. 27.02%, 72.38% and 0.59% 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 2017, the Group had outstanding interest-bearing borrowings including finance lease liabilities of RMB294.58 million (2016: RMB250.19 million). The total borrowings including finance lease liabilities were denominated in USD (51.18%), RMB (41.81%) and HK$ (7.01%), and the maturity profile is as follows:

Repayable	**As at 31 July 2017**		As at 31 July 2016	
	RMB million	**%**	RMB million	%
Within one year	**245.61**	**83.38**	164.79	65.87
After one year but within two years	**41.36**	**14.04**	39.84	15.92
After two years but within five years	**7.61**	**2.58**	45.56	18.21
Total borrowings including finance lease liabilities	**294.58**	**100.00**	250.19	100.00
Cash and bank deposits	**(120.83)**		(58.57)	
Net borrowings including finance lease liabilities	**173.75**		191.62	

The total net interest-bearing borrowings including finance lease liabilities of the Group recorded at RMB173.75 million (2016: RMB191.62 million), representing 16.25% (2016: 21.41%) of total assets and 40.77% (2016: 47.92%) 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 including finance lease liabilities less cash and bank deposits. Total capital is calculated as total equity attributable to owners of the Company plus net borrowings including finance lease liabilities. The gearing ratio of the Group was 28.96% as at 31 July 2017 (2016: 32.39%).

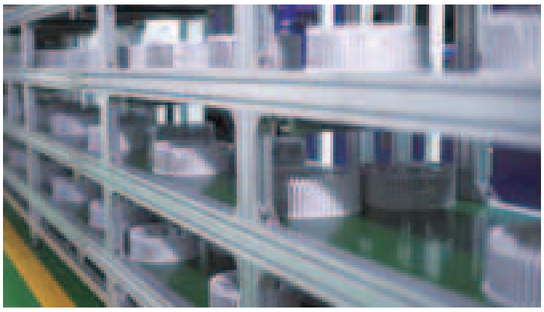
As at 31 July 2017, the Group's net current liabilities were RMB69.67 million (2016: RMB15.70 million). As at 31 July 2017, the Group has undrawn bank facilities of RMB95.59 million for working capital purposes.

CAPITAL STRUCTURE

As at 31 July 2017, the Group's total equity attributable to owners of the Company was RMB426.21 million (2016: RMB399.89 million). Total assets of the Group amounted to RMB1,069.21 million (2016: RMB894.85 million), 48.20% (2016: 52.93%) of which comprised property, plant, equipment and land use rights.

CHARGES ON GROUP ASSETS

As at 31 July 2017, the Group's secured banking facilities, including trade finance, overdrafts and bank loans, totaling RMB335.68 million (2016: RMB266.11 million) were secured by (i) none of bill receivables of the Group (2016: RMB4.21 million); (ii) bank deposits of the Group of RMB70.67 million (2016: RMB12.99 million); (iii) the buildings of the Group, net book value of which amounted to RMB182.81 million (2016: RMB184.55 million); (iv) plant and machinery of the Group, net book value of which amounted to RMB24.68 million (2016: RMB31.37 million); and (v) land use rights of the Group, net book value of which amounted to RMB15.09 million (2016: RMB15.52 million).



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

During the financial year, the Group did not conduct any significant investments, material acquisitions or disposal. Save for those disclosed in this report, the Group does not have any concrete plan for material investments or capital assets as at the date of this report.

SIGNIFICANT INVESTMENTS HELD

During the financial 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 liability as at 31 July 2017.

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 was primarily USD.

During the financial year, the Group has made net foreign exchange losses of RMB2.04 million (2016: RMB3.65 million) mainly due to the unrealised and realised foreign exchange loss.

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

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

Management Discussion and Analysis of Results of Operations

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2017, the Group had a total of 2,894 employees (2016: 2,687). During the financial year, the Group did not make significant changes to the Group's remuneration policies. Human resources expenses of the Group (excluding the Directors' remuneration and equity settled share-based payment expenses) for the financial year amounted to RMB207.88 million (2016: RMB162.68 million). The increase in human resources expenses was mainly due to the increase in the number of employees during the financial year and the rise in remuneration paid as a result of the increase in minimum wages imposed by local authorities of the PRC. 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.

PRINCIPAL RISKS AND UNCERTAINTIES

(i) Economic climate and individual market performance

The impact of economic conditions on consumer confidence and buying habits would affect sales and results of the Group. The economic growth or decline in our geographical markets that affected consumer spending on our products would also affect our business. The Group continues to implement its strategies to develop and strengthen penetration of different geographical markets thereby reducing its dependency on specific markets.

(ii) Loss of key individuals or the inability to attract and retain talent

Lack of appropriately skilled and experienced human resource could result in a delay in achieving the Group's strategic goals. The risk of the loss of key personnel is mitigated by regular reviews of recruitment and retention practices, remuneration packages and succession planning within the management team.

(iii) Financial risks

The Group is subject to foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest-rate risk. Details of the financial risks of the Group during the financial year are set out in note 3 to the consolidated financial statements of the Group.

EVENTS AFTER THE REPORTING DATE

On 12 September 2017, the Company issued and allotted 459,945,072 ordinary shares of HK$0.05 each ("Rights Shares"), and has successfully raised cash proceeds of approximately RMB89.12 million (equivalent to approximately HK$105.80 million) from a rights issue ("Rights Issue") at a subscription price of HK$0.230 per Rights Share on basis of one Rights Share for every four existing shares for the expansion of the Group's operations in Zhuhai. The subscription price of HK$0.230 represented a discount of 17.86% to the closing price of HK$0.280 per share of the Company as quoted on Stock Exchange on 19 July 2017, being the date of the announcement of the Company in respect of the Rights Issue.

The net proceeds raised from the Rights Issue were approximately RMB86.60 million (equivalent to approximately HK$102.80 million), which are intended to be used for the purpose of (i) the repayment of short term bank borrowing; (ii) funding of the purchase of equipment and machineries; and (iii) as general working capital. As at the date of this report, RMB7.02 million (equivalent to HK$8.33 million) and RMB4.01 million (equivalent to HK$4.76 million) have been used for repayment of short term bank borrowings and payment of purchase of equipment and machineries respectively. The aggregate nominal value of the Rights Shares issued under the Rights Issue was approximately HK$23.00 million and the net price was approximately HK$0.223 per Rights Share. Please refer to the announcements of the Company dated 19 July 2017 and 11 September 2017, and the prospectus of the Company dated 21 August 2017 for details.

Adjustments were made to the exercise prices and the number of share options which were outstanding after the completion of rights issue with reference to the announcement of the Company dated 11 September 2017.

On 13 September 2017, V.S. Technology Industry Park (Zhuhai) Co., Ltd., VSA Electronics Technology (Zhuhai) Co., Ltd. and V.S. Industry (Zhuhai) Co., Ltd. (as tenants) entered into a lease agreement with V.S. (Zhuhai) Management Co., Ltd. (as landlord) for leasing 19 blocks of residential buildings for a term of three years commencing from 1 August 2017. The transaction constituted a continuing connected transaction for the Company but is exempted from the independent shareholders' approval requirements. Please refer to the announcement of the Company dated 13 September 2017 for details.

Save as disclosed above, there is no important event affecting the Group which has occurred since the end of the financial year.

Environmental, Social and Governance (ESG) Report

ABOUT THIS REPORT

The Group is pleased to present its first Environmental, Social and Governance ("ESG") Report. The report provides a summary of the Group's ESG performance during the financial year ended 31 July 2017.

The scope of this report covers the Group's key business operations in Hong Kong and Zhuhai. It covers the manufacturing and the sale of plastic moulded products and parts, assembling of electronic products and moulds design and fabrication. The report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules.

The Group believes that sustainability is fundamental and integral to its business success. The Group's sustainability strategy is deeply rooted within its corporate value and in line with the Group's key principles. The Group's Corporate Social Responsibility ("CSR") Policy, reaffirming its commitment to sustainable growth, has been implemented across various functions and business units.

The Board tackles key ESG issues both at the Group and business levels. The Board oversees the overall direction of the Group's ESG strategy and development; the business units set up individual ESG programmes that are aligned with their nature and scale of operation. ESG performance is quantified, reviewed, analysed and reported to senior management on a regular basis to reinforce senior management oversight and drive continuous improvement.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group maintains an open and transparent dialogue with stakeholders in order to gather their views on what ESG issues they think matter the most and how the Group should be expected to handle such important ESG issues. Given its role as an integrated manufacturing services supplier and one-stop customer solution provider, the Group interacts with a variety of stakeholders on a daily basis. These include, for example, employees, customers, regulators, suppliers, shareholders, and local communities. To promote frequent and effective communication with stakeholders, the Group has adopted various channels such as meetings, interviews and surveys. This helps gauge the expectations of the Group's key stakeholders and collect feedback from them to guide the Group in strategising its ESG management. The disclosures in this ESG report have reflected and prioritised the key interests and concerns of these key stakeholders during the reporting period, obtained from the stakeholder engagement activities.

ENVIRONMENTAL PROTECTION

Guided by the CSR Policy, the Group is committed to operating its businesses in an environmentally responsible way through the minimisation of environmental emissions and improving resource efficiency.

Emissions

The Group's production facility has implemented an environmental management system which is established in line with local and international standards such as ISO14001. To curb air emissions, emission control measures have been applied. For example, filtering devices such as those with activated carbon are used for absorbing toxic gas emitted from the soldering process to avoid direct emission into the atmosphere.

A robust waste management control procedure has been adopted across the Group's businesses to provide guidance for effective identification, segregation and handling of hazardous and non-hazardous waste.

In particular, hazardous wastes generated from the manufacturing processes such as organic solvents are transferred by licenced vendors to the government-designated chemical waste processing facility. Records of hazardous waste transfer are documented and retained for a minimum of three years.

The Group's waste management procedure advocates the "5Rs" principles, emphasising "Replace, Reduce, Reuse, Recover and Recycle". Examples of the Group's innovative waste management solutions include redesigning the used metal mould tooling for production of new products, as well as reusing and recycling of residual plastics for packaging.

Use of Resources

Energy use, in particular, electricity consumption, accounts for a major source of resource use and produces greenhouse gas emissions. The Group endeavours to reduce our energy consumption intensity by exploring alternative, renewable sources and promoting energy conservation.

The Group periodically appoints independent third party specialist to perform energy audits, in order to identify opportunities for energy and cost saving. To date, over RMB80 million has been invested in sourcing renewable energy. Currently solar energy provides one-fifth of the total electricity consumed in the Group's production process.

In addition, a number of sustainable measures have been implemented at the Group's facilities and offices. These include, for example, shifting to more energy efficient LED lighting, setting air-conditioning temperature at 26 degrees Celsius or above, and putting up signage at common areas and the work stations to remind staff to save energy. Energy saving has also been one of the prioritised discussion items on the meeting agenda of the Group's senior management.

Water conservation measures have been adopted across operations of the Group. All business units and departments are responsible for monitoring the water supply system onsite and reporting and remediating any identified leakage on a timely basis. Employees are encouraged to not only conserve water from an individual perspective, but also find ways to use water more wisely in production to cultivate water-saving habits.

Environmental, Social and Governance (ESG) Report

To promote green packaging, clients of the Group are provided with options for environmentally friendly packaging solutions. These include biodegradable plastics for packaging and smart designs that reduce the use of non-recyclable packaging materials.

THE ENVIRONMENT AND NATURAL RESOURCES

The Group remains cognisant of its impacts on the earth and consumption of resources. To mitigate its environmental footprint, the Group is committed to integrating sustainable practices in everything we do.

The Group has consistently invested in making the facilities and equipment more resource efficient. Stringent protocols are enforced at its production facilities to prevent accidental leakage and spillages of chemicals into the environment. Emergency planning and drills are performed to enhance employees' awareness of chemical management and business resilience.

Recognised for its sustainable development practices, the Group has attained the "Hong Kong – Guangdong Cleaner Production Excellent Partner (Manufacturing)" award operated jointly by the Economic & Information Commission of Guangdong Province and the Hong Kong Productivity Council.

EMPLOYMENT AND LABOUR PRACTICES

Employment

Putting people first is the key of the Group's human resources strategy. The Group recognises the efforts each employee makes and their contributions to the Group's consistent delivery of quality solutions to the customers.

The Group's human resources polices have thus been established to stipulate relevant practices in recruitment, dismissal, promotion, working hours, holidays, equal opportunities and compensation benefits. Employees are provided with a competitive remuneration package including social insurance and housing provident funds. Beyond these, to bring convenience to employees and to cater for those in need, the Group provides free healthy meals for breakfast, lunch and dinner at the canteen for employees of all grade levels, and provides dormitories, where needed, for staff at the factory.

As a business that highly depends on people, the Group is committed to embracing diversity and equal opportunity and providing a collaborative workplace. The Group respects the freedom of association and has zero tolerance to harassment and discrimination of any form. Employees are assessed and hired based on their capabilities, regardless of their age, gender, nationality, religion, cultural background, sexual orientation, etc. An example of the Group's commitment to equal opportunity is the recruitment of over 300 Muslims by its Zhuhai operations since 2016. As the first business in Zhuhai to employ such a large number of Muslim staff members, the Group has made multiple efforts to respect the religious belief of these employees in various ways. A halal kitchen managed by a Muslim cook has been set up and a separate dining area for Muslim employees has been arranged. Additional holidays are also provided to these employees for celebration of Islamic festivals, with designated praying space reserved at the factory.

Health and Safety

The health, safety and well-being of the employees have always been the Group's first priority. Committed to providing its people with a safe working environment, the Group adheres to applicable local laws and regulations as well as internationally recognised standards such as OHSAS 18001.

In addition to its focus on regulatory compliance, the Group invests strategically in technology to improve occupational health and safety at manufacturing plants. A total of RMB25 million is expected to be invested to enhance automation of the production process at the Group's facility to reduce manual work and hence decrease associated safety risks. Furthermore, occupational health and safety check is provided to all employees regularly and upon their joining and leaving the Group.

Throughout the reporting period, various training courses have been organised to raise employees' awareness of workplace safety and healthy livings. In November 2016, the Group cooperated with a local health centre to provide a body check service to female employees with a focus on the prevention and detection of cervical cancer and breast cancer. All-rounded health and safety initiatives have been running effectively and fostered employee satisfaction.

Development and Training

The Group views its employees as its greatest asset and believes that ongoing training and development of its people is key to retaining talent and maintaining the Group's competitiveness.

On-boarding and orientation programmes are in place to help the new joiners better understand corporate culture and adapt to their positions. A series of training courses have been arranged for existing employees, with an aim to enhance their technical and soft skills. These courses cover a wide range of topics including business knowledge, personal development, business conduct and ethics, health and safety, as well as sustainable development. The employees are entitled to corporate sponsorship and support to attend not only training events hosted internally at the Group and at local external organisations, but also those held overseas. This helps encourage employees to pursue new knowledge and undertake life-long learning.

Labour Standards

Employment of child, forced or compulsory labour is strictly prohibited in any of the Group's operations, and the same is expected of the Group's suppliers to adhere to the same standards. The Group sees its responsibilities extend beyond mere compliance with relevant laws and regulations to provide employees with quality working conditions. Robust mechanisms for prevention, surveillance, and reporting of practices involving child, forced or compulsory labour are in place. Policies and procedures on labour practices have been established in line with international good practices. They are implemented to ensure that no underage person is recruited. If any such case is identified, the respective employment will be immediately terminated. Suppliers and customers are also expected to follow similar or applicable labour standards.

Environmental, Social and Governance (ESG) Report

OPERATING PRACTICES

Supply Chain Management

The Group sees its suppliers as important business partners and strive to forge and maintain close and supportive relationships with them to strengthen the Group's performance in sustainability.

The Group's supplier evaluation and management procedure manual standardises requirements on supplier selection, evaluation and management. Vendor selection criteria prioritises qualification, capability, compliance and sustainable performance. The assessment results will be reviewed and authorised by the Group's management.

Selected suppliers are subject to ongoing monitoring and annual evaluation for quality assurance. The Group works closely with them to meet its ESG requirements and assist them in applying the requirements. If a supplier fails to achieve requirements of the Group and does not undertake effective remediation actions in time, the Group may cease to source products or services from such vendor in the future.

Product Responsibility

The Group believes that the quality of its products and services is key to the competitiveness of the business.

An integrated quality, environmental and health management system has been implemented to ensure that the solutions the Group provides meet the requirements, needs and expectations of its customers and end users. The Group has established procedures to govern quality assurance and control in every process of manufacturing, from raw material procurement, to production of semi-finished products, to packaging of finished goods. The Group's products are made to meet the respective health and safety requirements of the target markets.

The Group's professional staff are well trained and skilled in handling customer enquiries and complaints. Customers can access various channels such as our hotline and via email to request information or submit complaints. Complaints received are followed up and resolved in a timely manner by designated professionals. The Group keeps an open mind to customer suggestions to guide continuous improvements in its products and services.

To provide customers with information that is accurate and complete, the Group has adopted standardised procedures for advertising and labelling of products that align with the regulatory requirements of the target markets.

Protection of customer data and privacy is becoming increasingly important. The Group's policies and procedures in place requires all employees to treat customer data and sensitive business information with care. Where needed, confidentiality and non-disclosure agreements will be signed prior to doing business with the customer. Access to customer data is limited only to authorised personnel.

In light of growing concerns in data privacy and an increasing level of digitalisation of communication, the Group has established a Computer Information System Management Policy which sets out requirements to protect business secrecy and customer data privacy.

Our data privacy policies and requirements are communicated to all employees through a variety of channels including staff meetings and training courses.

Anti-corruption

The Group upholds high standards of business ethics, conduct and integrity and stands against any forms of bribery, extortion, fraud and money laundering.

The Group strictly prohibits all employees, either directly or indirectly, from soliciting or receiving any gifts, rewards or advantages from any business associates. An anonymous whistle-blowing system is in place to encourage the reporting of misconduct.

In addition, suppliers and customers are required to comply with the Code of Conduct and Anti-corruption Policy to ensure that the Group's business partners uphold the same ethical standards as the Group does. A corruption risk assessment is conducted prior to the acceptance or continuance of a business relationship with any supplier or customer.

Community Investment

Giving back to the community in every possible way is what the Group takes pride in. Committed to making a more harmonious, loving and inclusive community, the Group leverage its resources by supporting charitable services that fulfil social needs.

The Group has established a V.S. Charitable Foundation, recognised by the local government of the PRC and listed on the Zhuhai Charity Federation website, to raise funds in support of those in need. Over the years, the Group has made donations through the Foundation to various organisations supporting the elderly, education institutions, and the families living in poverty.

The Group encourages its employees to actively participate in various community services. This year, the Group collaborated with Hong Kong Zhuhai Commerce Association and a local hospital to organise a voluntary blood donation event in the factory. The event was well supported by a large number of employees. Going forward, the Group will continue to support the community by engaging more employees in taking part in community services.

REGULATORY COMPLIANCE

The Group was not aware of any non-compliance with laws and regulations that has had a significant impact on the Group relating to environmental protection, employment and labour practices and operating practices during the reporting period.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. BEH Kim Ling, aged 59, 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 61, 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 63, 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.

Mr. ZHANG Pei Yu, aged 79, 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 31, was appointed as an alternate Director to Madam Gan Chu Cheng on 21 March 2015 and redesignated from an alternative Director to Madam Gan Chu Cheng to an executive Director on 16 December 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, 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 information technology and supply chain management of the Group.

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 57, 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 66, 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 CA Diong (formerly known as 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 both SIG Gases Berhad, a company listed on the Main Market of Bursa Malaysia and Hengyang Petrochemical Logistics Limited, a company listed on the Catalist of the Singapore Exchange. Mr. Diong resigned from his position as an independent non-executive director of Eastern Holdings Ltd, a company listed on the Mainboard of the Singapore Exchange, with effect from 31 January 2016.

Mr. TANG Sim Cheow, aged 58, 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 47, 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 Stock Exchange (stock code: 3933).

SENIOR MANAGEMENT OF THE GROUP

Mr. HSU Chi Chuan, aged 49, is the general manager of V.S Technology Industry Park (Zhuhai) Co., Ltd. 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 45, 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 of sales and marketing function.

Mr. LO Boon Wah, aged 48, 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 44, 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 50, 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.

Mr. SOH Cheah Tuck, aged 46, is the general manager of V.S. Industry (Zhuhai) Co., Ltd.. Mr. Soh joined the Group in September 2004 as an assistant quality and engineering manager and was promoted to current position in 2009. He has more than 15 years of experience in the administrative functions of operation management.

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 Stock Exchange. The Board considers such commitment is essential for the growth of the Group and for maximising the interest of the 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.

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 2017.

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; 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 2017, the Board has convened eight meetings at which, among other things, the following activities were conducted:

(1) approved the annual report for the financial year ended 31 July 2016 and matters to be considered at the 2016 annual general meeting;

(2) reviewed and approved corporate strategies of the Group for the financial year ending 31 July 2018;

(3) approved the interim results for the six months ended 31 January 2017;

(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 2016 and for the nine months ended 30 April 2017 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; (v) to review the Company's disclosure in the ESG Report; and (vi) 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 2017 are as follows:

	Attendance
Executive Directors	
Mr. Beh Kim Ling *(chairman)*	8/8
Mr. Gan Sem Yam	7/8
Madam Gan Chu Cheng	8/8
Mr. Zhang Pei Yu	7/8
Mr. Beh Chern Wei	7/8
Non-executive Director	
Mr. Gan Tiong Sia	8/8
Independent non-executive Directors	
Mr. Diong Tai Pew	8/8
Mr. Tang Sim Cheow	8/8
Ms. Fu Xiao Nan	6/8

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.

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 2017, are as follows:

	Attendance
Executive Directors	
Mr. Beh Kim Ling *(chairman)*	1/1
Mr. Gan Sem Yam	1/1
Madam Gan Chu Cheng	1/1
Mr. Zhang Pei Yu	1/1
Mr. Beh Chern Wei	1/1
Non-executive Director	
Mr. Gan Tiong Sia	1/1
Independent non-executive Directors	
Mr. Diong Tai Pew	1/1
Mr. Tang Sim Cheow	1/1
Ms. Fu Xiao Nan	0/1

Corporate Governance Report

Details of the Directors' attendance at the extraordinary general meeting of the Company, being the only extraordinary meeting held during the financial year ended 31 July 2017, are as follows:

	Attendance
Executive Directors	
Mr. Beh Kim Ling *(chairman)*	1/1
Mr. Gan Sem Yam	1/1
Madam Gan Chu Cheng	1/1
Mr. Zhang Pei Yu	0/1
Mr. Beh Chern Wei	1/1
Non-executive Director	
Mr. Gan Tiong Sia	0/1
Independent non-executive Directors	
Mr. Diong Tai Pew	1/1
Mr. Tang Sim Cheow	1/1
Ms. Fu Xiao Nan	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 despite the fact that each of Mr. Diong Tai Pew and Mr. Tang Sim Cheow has served as an independent non-executive Director for more than nine years.

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 2017, 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 Code on Corporate Governance on the listing requirement 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. Beh Chern Wei, Mr. Gan Tiong Sia, Mr. Tang Sim Cheow, Mr. Zhang Pei Yu, Mr. Diong Tai Pew and Ms. Fu Xiao Nan 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 2017, the Nomination Committee has met once 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 2017 are as follows:

	Attendance
Mr. Tang Sim Cheow *(chairman)*	1/1
Mr. Diong Tai Pew	1/1
Madam Gan Chu Cheng	1/1

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 2017, the Remuneration Committee has met once 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 2016.

Remuneration of Directors and Senior Management

Pursuant to Code Provision B1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 July 2017 is set out below:

Remuneration band (HK$)	Number of individuals
Nil to 1,000,000	3
1,000,001 – 1,500,000	2
1,500,001 – 2,000,000	–
2,000,001 – 2,500,000	–
2,500,001 – 3,000,000	–
3,000,001 – 3,500,000	1

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 11 and 12 to the consolidated financial statements of the Group.

Details of attendance of each member of the Remuneration Committee during the financial year ended 31 July 2017 are as follows:

	Attendance
Ms. Fu Xiao Nan *(chairman)*	1/1
Mr. Diong Tai Pew	1/1
Mr. Beh Kim Ling	1/1

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.

Corporate Governance Report

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.

Details of attendance of each member of the Audit Committee during the financial year ended 31 July 2017 are as follows:

	Attendance
Mr. Diong Tai Pew *(chairman)*	4/4
Mr. Tang Sim Cheow	4/4
Ms. Fu Xiao Nan	3/4

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

AUDITORS' REMUNERATION

During the financial year ended 31 July 2017, 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**
	RMB
Annual audit	
Audit fee for the consolidated financial statements of the Group for the year ended 31 July 2017	1,562,000
Audit fee for the statutory audit of the financial statements of the Company's subsidiaries in the PRC for the year ended 31 December 2016	362,000
Non-audit services	
Fee for tax consultancy services of the Company's subsidiaries in the PRC and other non-audit services	223,000
	2,147,000

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the consolidated financial statements for the financial year ended 31 July 2017, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the consolidated financial statements on a going concern basis.

The statement of the external auditors about their reporting responsibilities on the consolidated financial statements are set out in the Independent Auditor's Report to the Shareholders on pages 61 to 65 of this Annual Report.

Corporate Governance Report

INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control system of the Group and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. Highlights of the Group's risk management and internal control systems include the following:

- code of conduct — the Company's code of conduct explicitly communicates to each employee its values, acceptable criteria for decision-making and its ground rules for behavior.

- process to identify and manage significant risks and material internal control defects — significant risks or internal control defects identified by the management during the ordinary business operation of the Group will be reported to the Board as soon as practicable for further evaluating and management. A Board meeting will be held to conduct review and evaluation on the significant risks or internal control defects and appropriate actions will be taken to control the risks or to improve the internal control defects. During the financial year, no significant risks, or material internal control failings or weaknesses have been identified by the Board or the management.

- internal audit functions — the internal audit functions of the Group have been performed by the collaboration of the Board's office, finance department, human resources department and administration office by regular financial and operational review and recommending necessary actions to the management. The works carried out by the aforesaid departments of the Company ensure the risk management and internal control measures are in place and function properly as intended. The results of the internal audit and reviews are reported to the executive Directors and the Audit Committee.

- compliance with the Listing Rules and relevant laws and regulations — the Group will continue to monitor its compliance with relevant laws and regulations and continue to arrange for various trainings to be provided by its legal advisers or other professional parties to the Directors and management on the Listing Rules, PRC laws and regulations, etc.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The management has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems during the financial year ended 31 July 2017.

The Board, as supported by the Audit Committee as well as the management, conducted an annual review on the risk management and internal control systems, including the financial, operational and compliance controls of the Group during the financial year ended 31 July 2017, to ensure the adequacy of resources, staff qualifications and experience, training programs and budget of accounting, internal audit, training reporting, etc. The Board considered that such systems and the process for financial reporting and Listing Rules compliance are effective and adequate.

The Group has adopted the Management of the Regulation of Trade Secrets which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosures and responding to enquiries. The policy is to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- designated responsible persons and departments for managing and handling the inside information;
- specified disclosure requirements under the Listing Rules; and
- stipulated disclosure procedures.

COMPANY SECRETARY

Ms. Ng Ting On Polly is the company secretary of the Company. In compliance with Rule 3.29 of the Listing Rules, Ms. Ng Ting On Polly has undertaken no less than 15 hours of relevant professional training for the financial year ended 31 July 2017.

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.

(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

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 2017.

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 2017.

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.

BUSINESS REVIEW

The review of the business of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis of Results of Operations", and the description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed "Management Discussion and Analysis of Results of Operations". The financial risk management objectives and policies of the Group are set out in note 3 to the consolidated financial statements. Except as disclosed in the sub-section headed "Events after the Reporting Date" under the section headed "Management Discussion and Analysis of Results of Operations", no important event affecting the Group that has occurred since the end of the financial year ended 31 July 2017 and up to the date of this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We believe that our business also depends on our ability to meet our customers' requirements in respect of safety, quality and environmental aspects. To meet our customers' requirements on safety, quality and environmental aspects, we have established safety, quality and environmental management systems. Through the systematic and effective control of our operations, compliance with safety, quality and environmental requirements can be further assured.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has adopted internal control and risk management policies to monitor the on-going compliance with relevant laws and regulations. As far as the Board is concerned, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is in good relationship with its employees and some policies have been carried out to make sure the employees can acquire competitive remuneration, good welfare and continuous professional training. The Group also maintains a good relationship with its customers and suppliers, without whom the production and operation success will not be guaranteed.

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	33%	–
Five largest customers in aggregate	75%	–
The largest supplier	–	7%
Five largest suppliers in aggregate	–	28%

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 2017 and the state of the Group's affairs as at 31 July 2017 are set out in the consolidated financial statements of the Group on pages 66 to 132 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 2017 (2016: Nil).

CHARITABLE DONATIONS

Charitable and other donations made by the Group during the financial year amounted to RMB0.10 million.

FIXED ASSETS

Details of movements in fixed assets of the Group during the financial year are set out in note 14 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 26 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 27 to the consolidated financial statements of the Group.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 July 2017, 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 RMB189,217,000 (2016: RMB206,383,000). 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

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew
Tang Sim Cheow
Fu Xiao Nan

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, Mr. Diong Tai Pew and Ms. Fu Xiao Nan will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at such meeting.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Beh Kim Ling, Mr. Gan Sem Yam, Mr. Zhang Pei Yu, Mr. Beh Chern Wei 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 Mr. Diong Tai Pew, Mr. Tang Sim Cheow and Ms. Fu Xiao Nan are currently appointed as independent non-executive Directors. The appointments of Mr. Gan Tiong Sia, Mr. Diong Tai Pew, Mr. 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 2017, 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:

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	163,452,533 Shares (L) (Notes 3, 6 and 13)	8.88%
	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
	VS Berhad	Beneficial owner	107,510,795 ordinary shares (L) (Note 7)	8.97%

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

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Gan Sem Yam	The Company	Beneficial owner	59,671,396 Shares (L) (Notes 3, 6 and 14)	3.24%
	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
	VS Berhad	Beneficial owner	73,542,752 ordinary shares (L) (Note 8)	6.14%
Gan Chu Cheng	The Company	Beneficial owner	45,335,880 Shares (L) (Notes 3, 6 and 15)	2.46%
	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
	VS Berhad	Beneficial owner	98,770,875 ordinary shares (L) (Note 9)	8.25%
Zhang Pei Yu	The Company	Beneficial owner	15,002,000 Shares (L) (Notes 3 and 6)	0.82%

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 Chern Wei	The Company	Beneficial owner	37,000,000 Shares (L) (Notes 3 and 6)	2.01%
	VS Berhad	Beneficial owner	16,800,000 ordinary shares (L) (Note 10)	1.40%
Gan Tiong Sia	The Company	Beneficial owner	24,735,074 Shares (L) (Notes 4 and 6)	1.34%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	VS Berhad	Beneficial owner	25,098,430 ordinary shares (L) (Note 11)	2.10%
Diong Tai Pew	The Company	Beneficial owner	2,925,129 Shares (L) (Notes 5 and 6)	0.16%
Tang Sim Cheow	The Company	Beneficial owner	2,151,130 Shares (L) (Notes 5 and 6)	0.12%
	VS Berhad	Beneficial owner	400,000 ordinary shares (L) (Note 12)	0.03%
Fu Xiao Nan	The Company	Beneficial owner	1,512,000 Shares (L) (Notes 5 and 6)	0.08%

Report of the Directors

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

Notes:

1. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Mr. Gan Sem Yam and Mr. Gan Tiong Sia. Madam Gan Chu Cheng is the sister of Mr. Gan Sem Yam and Mr. Gan Tiong Sia. Mr. Beh Chern Wei is the son of Mr. Beh Kim Ling and Madam Gan Chu Cheng, and the nephew of Mr. Gan Tiong Sia and Mr. Gan Sem Yam.

2. The letter "L" represents the Director's long position interest in the shares and underlying shares of the Company or its associated corporations.

3. 15,000,000 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, Mr. Gan Sem Yam, Madam Gam Chu Cheng, Mr. Zhang Pei Yu and Mr. Beh Chem Wei, respectively by the Company under its share option scheme, details of which are set out in note 6 below, as at 31 July 2017.

4. 7,520,000 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 6 below, as at 31 July 2017.

5. 1,512,000 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, Mr. Tang Sim Cheow and Ms. Fu Xiao Nan, respectively by the Company under its share option scheme, details of which are set out in note 6 below, as at 31 July 2017.

6. On 12 January 2017, 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 2017, are exercisable at a price of HK$0.320 per Share during the exercise periods. Details of these share options are disclosed in the paragraph headed "Share Option Scheme" on pages 46 to 54 of this Annual Report.

7. 2,550,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.

8. 1,700,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015. 62 of these shares would be allotted and issued upon exercise in full the warrants granted by VS Berhad at an initial exercise price of RM1.65 per share (subject to adjustments) during a period of 3 years from 7 January 2016.

9. 1,700,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015. 175 of these shares would be allotted and issued upon exercise in full the warrants granted by VS Berhad at an initial exercise price of RM1.65 per share (subject to adjustments) during a period of 3 years from 7 January 2016.

10. 600,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.

11. 1,700,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.

12. All of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.

13. 29,690,506 of these Shares are Rights Shares irrevocably undertaken by Mr. Beh Kim Ling to subscribe under the Rights Issue pursuant to an undertaking dated 19 July 2017.

14. 6,067,176 of these Shares are Rights Shares irrevocably undertaken by Mr. Gan Sem Yam to subscribe under the Rights Issue pursuant to an undertaking dated 19 July 2017.

15. 8,934,279 of these Shares are Rights Shares irrevocably undertaken by Madam Gan Chu Cheng to subscribe under the Rights Issue pursuant to an undertaking dated 19 July 2017.

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

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the financial year ended 31 July 2017 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Apart from the related party transactions as disclosed in note 30 to the consolidated financial statements of the Group, no transaction, arrangement and 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 2017, 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
VS Berhad	1,253,281,396 (L) (Note 2)	Beneficial owner	68.12%

Notes:

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

2. These Shares include (i) 800,087,971 Shares held by VS Berhad; (ii) 200,021,992 Rights Shares which VS Berhad has irrevocably undertaken to subscribe under the Rights Issue pursuant to an undertaking dated 19 July 2017; and (iii) a maximum of 253,171,433 Rights Shares to be underwritten by VS Berhad pursuant to an underwriting agreement dated 19 July 2017 and entered into between the Company and VS Berhad.

Report of the Directors

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Apart from the related party transaction between the Company and VS Berhad as disclosed in note 30 to the consolidated financial statements of the Group and in the sub-section headed "Connected Transactions and Related Party Transactions" on pages 55 to 58 of this Annual Report, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries for the year ended 31 July 2017.

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. As at the date of this Annual Report, the Share Option Scheme had a remaining life of approximately five years. Details of the Share Option Scheme are set out in note 24 to the consolidated financial statements of the Group.

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.

SHARE OPTION SCHEME (CONTINUED)

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 1,326,865, which represent approximately 0.06% 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.

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 2017:

Name of grantee	Date of grant	Exercisable period	Exercise price HK$	Weighted average closing price on the date immediately before the exercise date HK$	Outstanding at 1 August 2016	Exercised during the period	Granted during the period	Lapsed/ cancelled during the period	Outstanding at 31 July 2017
Directors									
Beh Kim Ling	16 December 2013 (Note 1)	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	–
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	–	–	7,500,000	7,500,000	–
		1 February 2018 to 31 January 2019	0.326	N/A	–	–	7,500,000	7,500,000	–
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	–	–	7,500,000	–	7,500,000
		1 March 2018 to 28 February 2019	0.320	N/A	–	–	7,500,000	–	7,500,000
Gan Sem Yam	16 December 2013 (Note 1)	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	–
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	–	–	7,500,000	7,500,000	–
		1 February 2018 to 31 January 2019	0.326	N/A	–	–	7,500,000	7,500,000	–
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	–	–	7,500,000	–	7,500,000
		1 March 2018 to 28 February 2019	0.320	N/A	–	–	7,500,000	–	7,500,000

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant	Exercisable period	Exercise price HK$	Weighted average closing price on the date immediately before the exercise date HK$	Outstanding at 1 August 2016	Exercised during the period	Granted during the period	Lapsed/ cancelled during the period	Outstanding at 31 July 2017
Gan Chu Cheng	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	N/A	–	–	–	–	–
		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	–
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	–	–	7,500,000	7,500,000	–
		1 February 2018 to 31 January 2019	0.326	N/A	–	–	7,500,000	7,500,000	–
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	–	–	7,500,000	–	7,500,000
		1 March 2018 to 28 February 2019	0.320	N/A	–	–	7,500,000	–	7,500,000
Zhang Pei Yu	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	N/A	688,000	–	–	688,000	–
		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	–
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	–	–	7,500,000	7,500,000	–
		1 February 2018 to 31 January 2019	0.326	N/A	–	–	7,500,000	7,500,000	–
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	–	–	7,500,000	–	7,500,000
		1 March 2018 to 28 February 2019	0.320	N/A	–	–	7,500,000	–	7,500,000

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant	Exercisable period	Exercise price	Weighted average closing price on the date immediately before the exercise date	Outstanding at 1 August 2016	Exercised during the period	Granted during the period	Lapsed/ cancelled during the period	Outstanding at 31 July 2017
			HK$	HK$					
Beh Chern Wei	16 December 2013 (Note 1)	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	–
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	–	–	7,500,000	7,500,000	–
		1 February 2018 to 31 January 2019	0.326	N/A	–	–	7,500,000	7,500,000	–
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	–	–	7,500,000	–	7,500,000
		1 March 2018 to 28 February 2019	0.320	N/A	–	–	7,500,000	–	7,500,000
Gan Tiong Sia	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	N/A	–	–	–	–	–
		1 August 2015 to 31 July 2017	0.308	N/A	1,000,000	–	–	1,000,000	–
		1 August 2016 to 31 July 2017	0.308	N/A	1,500,000	–	–	1,500,000	–
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	–	–	3,760,000	3,760,000	–
		1 February 2018 to 31 January 2019	0.326	N/A	–	–	3,760,000	3,760,000	–
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	–	–	3,760,000	–	3,760,000
		1 March 2018 to 28 February 2019	0.320	N/A	–	–	3,760,000	–	3,760,000

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant	Exercisable period	Exercise price HK$	Weighted average closing price on the date immediately before the exercise date HK$	Outstanding at 1 August 2016	Exercised during the period	Granted during the period	Lapsed/ cancelled during the period	Outstanding at 31 July 2017
Diong Tai Pew	16 December 2013 (Note 1)	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	–
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	–	–	756,000	756,000	–
		1 February 2018 to 31 January 2019	0.326	N/A	–	–	756,000	756,000	–
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	–	–	756,000	–	756,000
		1 March 2018 to 28 February 2019	0.320	N/A	–	–	756,000	–	756,000
Tang Sim Cheow	16 December 2013 (Note 1)	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	–
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	–	–	756,000	756,000	–
		1 February 2018 to 31 January 2019	0.326	N/A	–	–	756,000	756,000	–
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	–	–	756,000	–	756,000
		1 March 2018 to 28 February 2019	0.320	N/A	–	–	756,000	–	756,000

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant	Exercisable period	Exercise price	Weighted average closing price on the date immediately before the exercise date	Outstanding at 1 August 2016	Exercised during the period	Granted during the period	Lapsed/ cancelled during the period	Outstanding at 31 July 2017
			HK$	HK$					
Fu Xiao Nan	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	–	–	756,000	756,000	–
		1 February 2018 to 31 January 2019	0.326	N/A	–	–	756,000	756,000	–
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	–	–	756,000	–	756,000
		1 March 2018 to 28 February 2019	0.320	N/A	–	–	756,000	–	756,000
Lee Soo Gee (resigned as an independent non-executive Director with effect from 12 June 2015)	16 December 2013 (Note 1)	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	–
					42,388,000	–	174,112,000	129,444,000	87,056,000

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant	Exercisable period	Exercise price HK$	Weighted average closing price on the date immediately before the exercise date HK$	Outstanding at 1 August 2016	Exercised during the period	Granted during the period	Lapsed/cancelled during the period	Outstanding at 31 July 2017
Other employees (Note 4)	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	0.405	1,648,000	348,000	–	1,300,000	–
		1 August 2015 to 31 July 2017	0.308	0.379	10,000,000	2,686,744	–	7,313,256	–
		1 August 2016 to 31 July 2017	0.308	0.369	18,800,000	3,900,000	–	14,900,000	–
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	–	–	44,632,000	44,632,000	–
		1 February 2018 to 31 January 2019	0.326	N/A	–	–	44,632,000	44,632,000	–
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	0.330	–	300,000	44,632,000	–	44,332,000
		1 March 2018 to 28 February 2019	0.320	N/A	–	–	44,632,000	–	44,632,000
					30,448,000	7,234,744	178,528,000	112,777,256	88,964,000
					72,836,000	7,234,744	352,640,000	242,221,256	176,020,000

SHARE OPTION SCHEME (CONTINUED)

Notes:

1. The average closing price of the Shares 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 period, was HK$0.308.

2. The average closing price of the Shares as stated on the Stock Exchange's daily quotation sheets five trading days immediately before 22 December 2016, being the date of the grant of share options during the period, was HK$0.326. The closing price of the Shares on 21 December 2016 (the trading day immediately before the date on which the options were granted) was HK$0.315. All of such share options were withdrawn on 5 January 2017 with grantees' consents for the compliance with the Listing Rules.

3. The closing price of the Shares as stated on the Stock Exchange's daily quotation sheets on 12 January 2017, being the date of the grant of share options during the period, was HK$0.320. The closing price of the Shares on 11 January 2017 (the trading day immediately before the date on which the options were granted) was HK$0.320.

4. 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 (Cap.57 of the Laws of Hong Kong).

The fair value of the options granted on 16 December 2013 was determined using the binomial valuation method at the date of grant; no subsequent revaluation at the period end is required. The significant inputs into the model were expected dividend yield of 0%, weighted average option life of 3.6 years, expected volatility of 64.81% and the risk-free rate of 0.735% based on Hong Kong Exchange Fund Notes.

The fair value of the options granted on 12 January 2017 was determined using the binomial valuation method at the date of grant; no subsequent revaluation at the period end is required. The significant inputs into the model were expected dividend yield of 0%, weighted average option life of 2.13 years, expected volatility of 63.27% and the risk-free rate of 0.980% based on Hong Kong Government Bond Yield.

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 2017.

PERMITTED INDEMNITY PROVISION

The Company has arranged the appropriate insurance cover for Director's and officer's liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when the Report of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions for the financial year ended 31 July 2017 are set out in note 30 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 2017, 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 2017 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.

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 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 moulds, moulded products and parts (collectively, 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 2017 was RMB1,851,000 (equivalent to approximately HK$2,109,000).

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 30 October 2015, 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 2015 and ending on 31 July 2018. 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 2018 are 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 2017 was RMB7,330,000 (equivalent to approximately HK$8,351,000).

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 wholly-owned by Mr. K.H. Beh. 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.

Details of the Kejie Master Processing Agreement were set out in the Company's announcement dated 30 October 2015.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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.

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 2017 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 2017, 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 2017 are set out in note 22 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 2017 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 136 of this report.

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 135 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 31 of this report.

The Audit Committee has reviewed the Group's financial statements for the year ended 31 July 2017 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.

Report of the Directors

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his/her independence from the Group and the Company considers each of them to be independent pursuant to Rule 3.13 of the Listing Rules despite the fact that each of Mr. Diong Tai Pew and Mr. Tang Sim Cheow has served as an independent non-executive Director for more than nine years..

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 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 2017.

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. There has been no change in the auditors of the Company in any of the preceding three years.

By order of the Board

Beh Kim Ling
Chairman
Macau, the PRC
23 September 2017

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)

OPINION

What we have audited

The consolidated financial statements of V.S. International Group Limited (the "Company") and its subsidiaries ("the Group") set out on pages 66 to 132, which comprise:

- the consolidated statement of financial position as at 31 July 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is working capital forecast assumption.

Key Audit Matter	How our audit addressed the Key Audit Matter
Working capital forecast assumption Refer to note 2.1 to the consolidated financial statements. As at 31 July 2017, the Group's current liabilities exceeded its current assets by RMB69,669,000. On 19 July 2017, the Group announced its intention to raise cash proceeds of approximately RMB89.12 million (equivalent to approximately HK$105.80 million) from a rights issue at a subscription price of HK$0.230 per rights share on the basis of one rights share for every four existing shares. The Group is therefore dependent on its existing cash resources, available facilities from bank, cash flows to be generated from operations and cash proceeds from the successful rights issue to finance the Group's planned capital expenditure and for general working capital purposes.	In assessing the appropriateness of assumptions used by management in preparing the working capital forecast which support the going concern basis for the preparation of the consolidated financial statements, the following audit procedures have been performed by us: • We confirmed the cash balances and available banking facilities as at year end by circularisation of bank confirmations and assessed the probability of facilities renewal during the forecast period by examining a letter of intent directly obtained from the Group's principal bank; • We assessed the reasonableness of the anticipated cash flows to be generated from the Group's operations with reference to the basis of estimating sales from secured and estimated potential orders in determining the revenue growth, projected gross profit margins and period to collect receivables from customers. We compared the projected gross profit margins and period to collect receivables from customers to historical record;

Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)
Management of the Group has performed a working capital forecast and concluded that there will be sufficient funds to meet its financial obligations as and when they fall due in the next twelve months from 31 July 2017 to support the going concern basis of preparation of the consolidated financial statements. The forecast of its working capital involved key assumptions such as available banking facilities, revenue growth, gross profit margins, period to collect receivables from customers and the successful completion of the rights issue in September 2017. We focused on this matter as it involved application of significant judgements and estimates.	• We evaluated management's sensitivity analysis by considering possible adverse changes to the Group's operating performance; and • We noted the successful completion of the proposed rights issue on 12 September 2017 by checking to the Company's board minutes and rights issue results announcement in the website of The Stock Exchange of Hong Kong Limited. We also checked the receipt of cash proceeds of approximately RMB89.12 million (equivalent to approximately HK$105.80 million) to the bank statements of the Company. Based on the procedures described, we found that the judgements and estimates made by management in preparing the working capital forecast for the purpose of going concern assessment were supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kam Chiu, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 September 2017

Consolidated Income Statement

For the year ended 31 July 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	5	**1,270,725**	884,227
Cost of sales		**(1,057,346)**	(735,155)
Gross profit		**213,379**	149,072
Other income	6	**5,571**	7,653
Other losses – net	6	**(4,737)**	(38,828)
Distribution costs		**(68,879)**	(53,001)
General and administrative expenses		**(99,515)**	(76,768)
Operating profit/(loss)	7	**45,819**	(11,872)
Finance income		**1,787**	385
Finance costs		**(14,163)**	(12,139)
Finance costs – net	8	**(12,376)**	(11,754)
Share of (loss)/profit of an associate	16	**(9,846)**	2,531
Profit/(loss) before income tax		**23,597**	(21,095)
Income tax expense	9	**(10,113)**	(11,408)
Profit/(loss) for the year attributable to owners of the Company		**13,484**	(32,503)
Earnings/(loss) per share attributable to owners of the Company during the year (RMB cents)		**2017**	2016 (Restated)
Basic	13	**0.71**	(1.72)
Diluted	13	**0.71**	(1.72)

The notes on pages 72 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2017

	2017 RMB'000	2016 RMB'000
Profit/(loss) for the year	**13,484**	(32,503)
Other comprehensive income for the year	**–**	–
Total comprehensive profit/(loss) for the year and attributable to owners of the Company	**13,484**	(32,503)

The notes on pages 72 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 July 2017

	Note	As at 31 July 2017 RMB'000	As at 31 July 2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**497,318**	455,100
Land use rights	14	**18,069**	18,576
Interest in an associate	16	**17,274**	15,884
Prepayments and deposits	18	**11,420**	9,772
Deferred income tax assets	25	**1,704**	2,221
		545,785	501,553
Current assets			
Inventories	17	**132,762**	94,869
Trade and other receivables	18	**255,991**	223,479
Amounts due from related parties	30	**13,843**	16,380
Bank deposits	19	**70,670**	12,986
Cash and cash equivalents	20	**50,160**	45,586
		523,426	393,300
Total assets		**1,069,211**	894,853
EQUITY			
Capital and reserves			
Share capital	26	**85,311**	84,996
Share premium	26	**236,590**	234,180
Reserves	27	**104,306**	80,716
Total equity attributable to owners of the Company		**426,207**	399,892

Consolidated Statement of Financial Position

At 31 July 2017

	Note	**As at 31 July 2017 RMB'000**	As at 31 July 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**46,164**	85,399
Finance lease liabilities	23	**2,813**	–
Deferred income tax liabilities	25	**932**	567
		49,909	85,966
Current liabilities			
Trade and other payables	21	**337,395**	234,693
Amounts due to related parties	30	**1,753**	703
Borrowings	22	**243,927**	164,785
Finance lease liabilities	23	**1,683**	–
Tax payables		**8,337**	8,814
		593,095	408,995
Total liabilities		**643,004**	494,961
Total equity and liabilities		**1,069,211**	894,853

The consolidated financial statements on pages 66 to 132 were approved by the Board and Directors on 23 September 2017 and were signed on its behalf.

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

The notes on pages 72 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 July 2017

	Note	**Share capital** RMB'000 (note 26)	**Share premium** RMB'000 (note 26)	**Reserves** RMB'000 (note 27)	**Total equity** RMB'000
Balance at 1 August 2015		84,549	230,841	112,710	428,100
Comprehensive loss					
Loss for the year		–	–	(32,503)	(32,503)
Total comprehensive loss		–	–	(32,503)	(32,503)
Issuance of shares upon exercising of share options	24	447	3,339	(1,033)	2,753
Fair value of employee services under the share options scheme	24	–	–	1,542	1,542
Total transactions with owners, recognised directly in equity		447	3,339	509	4,295
Balance at 31 July 2016		84,996	234,180	80,716	399,892
Balance at 1 August 2016		**84,996**	**234,180**	**80,716**	**399,892**
Comprehensive profit					
Profit for the year		**–**	**–**	**13,484**	**13,484**
Total comprehensive profit		**–**	**–**	**13,484**	**13,484**
Issuance of shares upon exercising of share options	24	**315**	**2,410**	**(778)**	**1,947**
Fair value of employee services under the share options scheme	24	**–**	**–**	**10,884**	**10,884**
Total transactions with owners, recognised directly in equity		**315**	**2,410**	**10,106**	**12,831**
Balance at 31 July 2017		**85,311**	**236,590**	**104,306**	**426,207**

The notes on pages 72 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 July 2017

	Note	**2017 RMB'000**	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	**135,723**	55,572
Income tax paid		**(9,708)**	(10,579)
Net cash generated from operating activities		**126,015**	44,993
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment		**(102,525)**	(47,421)
Proceeds from sale of property, plant and equipment	31	**9,290**	7,394
Interest received		**1,787**	385
Net cash used in investing activities		**(91,448)**	(39,642)
Cash flows from financing activities			
Repayment of bank loans		**(83,510)**	(77,603)
(Increase)/decrease in bank deposits		**(57,684)**	4,835
Proceeds from new bank loans		**43,898**	44,800
Net increase in trust receipt loans		**76,385**	13,450
Proceeds from shares issued under the share option scheme		**1,947**	2,753
Borrowing costs paid		**(14,163)**	(12,139)
Net cash used in financing activities		**(33,127)**	(23,904)
Net increase/(decrease) in cash and cash equivalents		**1,440**	(18,553)
Cash and cash equivalents at beginning of year	20	**28,062**	46,615
Cash and cash equivalents at end of year	20	**29,502**	28,062

The notes on pages 72 to 132 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 sales 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 Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 September 2017.

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 all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and requirements of Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Going concern basis

As at 31 July 2017, the Group's current liabilities exceeded its current assets by RMB69,669,000 (2016: RMB15,695,000). At the same date, the Group's pledged bank deposits and cash and cash equivalents amounted to RMB120,830,000 while the Group's borrowings and finance lease liabilities classified under current liabilities amounted to RMB245,610,000. On 19 July 2017, the Company announced its intention to raise additional capital through a rights issue at a subscription price of HK$0.230 per rights share on the basis of one rights share for every four existing shares to finance the Group's planned capital expenditure and for general working capital purposes. On 12 September 2017, the rights issue was completed and the Group raised cash proceeds of approximately RMB89.12 million (equivalent to approximately HK$105.80 million).

Notwithstanding the Group's net current liabilities as at 31 July 2017, these consolidated financial statements have been prepared on a going concern basis as the board of directors of the Company considered that the Group's available sources of funds, including the Group's expected net cash inflows from its operating activities in the coming year, cash proceeds from the successful completion of the aforementioned rights issue and the history of the renewal of banking facilities, are sufficient to meet its financial obligations as and when they become due and to finance its planned capital expenditure at least in the coming twelve months from 31 July 2017. The board of directors of the Company therefore considered that it is appropriate to adopt the going concern basis in preparing these consolidated financial statements.

(a) Effect of adopting new standard and amendments to existing standards

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 August 2016:

Standards	**Subject of amendments**
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendments to HKAS 27 (2011)	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual improvements project	Annual improvements to HKFRSs 2012 – 2014 Cycle

The adoption of the above new and amended standards did not have a significant impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New standards, amendments to existing standards and interpretation that are not yet effective and have not been early adopted by the Group

Standards	Subject of amendments
Annual improvements to HKFRS 12	Annual improvements to HKFRSs 2014 – 2016 Cycle (1)
Amendments to HKAS 7	Disclosure initiative (1)
Amendments to HKFRS 12	Recognition of deferred tax assets for unrealised losses (1)
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions (2)
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts (2)
HKFRS 9 (Note (i))	Financial instruments (2)
HKFRS 15 (Note (ii))	Revenue from contracts with customers (2)
Amendments to HKFRS 15	Clarification to HKFRS 15 (2)
Amendments to HKAS 40	Transfers of investment property (2)
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration (2)
HKFRS 16 (Note (iii))	Leases (3)
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture (4)
Annual improvements to HKFRS 1 and HKAS 28	Annual improvements to HKFRSs 2014 – 2016 Cycle (2)

(1) Effective for the Group for annual period beginning on or after 1 August 2017.
(2) Effective for the Group for annual period beginning on or after 1 August 2018.
(3) Effective for the Group for annual period beginning on or after 1 August 2019.
(4) Effective date to be determined.

The Group is in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards and interpretation. The Group will adopt the new and amended standards and interpretation when they become effective.

A number of new standards and amendments to standards and interpretation are effective for annual periods beginning on or after 1 August 2017 and have not been early applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

(i) HKFRS 9, "Financial instruments"

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New standards, amendments to existing standards and interpretation that are not yet effective and have not been early adopted by the Group (Continued)

(i) HKFRS 9, "Financial instruments" (Continued)

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets, as the new requirements affect the accounting for financial assets that are available-for-sale and financial assets measured at fair value through profit or loss and the Group does not have any such assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, at this stage the Group does not expect to identify any new hedge relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to contract assets under HKFRS 15 Revenue from Contracts with Customers, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 August 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New standards, amendments to existing standards and interpretation that are not yet effective and have not been early adopted by the Group (Continued)

(ii) HKFRS 15, "Revenue from contracts with customers" (Continued)

Management has identified the following areas that are likely to be affected:

- the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue; and
- rights of return – HKFRS 15 requires separate presentation on the consolidated statement of financial position of the right to recover the goods from the customer and the refund obligation.

The directors of the Company is currently in the process of evaluating the full impact of HKFRS 15 on the Group's consolidated financial statements. Management will make more detailed assessments of the impact over the next twelve months.

(iii) HKFRS 16, "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB4,288,000 (note 29). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for the Group for annual reporting period beginning on or after 1 August 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

(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.

(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 the consolidated income statement. 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 the other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognised in the other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. 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 a dividend 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(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.

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.

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 profit/(loss) of 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.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

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 who make strategic decisions.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 RMB, which is the Company's functional and 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.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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
Power generating machinery and equipment	20 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 2.7).

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 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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets

(a) Classification

The Group classifies its financial assets as 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", "deposits", "amounts due from related parties", "bank deposits" and "cash and cash equivalents" in the consolidated statement of financial position.

(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 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. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets carried at amortised cost (Continued)

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.

2.11 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.

2.12 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.

2.13 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. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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.

2.17 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.

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.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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 the other comprehensive income or directly in equity. In this case the tax is also recognised in the 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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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.

2.20 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

2.22 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.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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.

2.24 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.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

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. Risk management is carried out by the senior management of the Company under policies approved by the Board of Directors of the Company.

(a) Foreign exchange risk

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

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 (US$) other than the functional currency of the entity to which they relate.

	2017 **RMB'000**	2016 RMB'000
Trade and other receivables	**71,318**	99,163
Bank deposits	**10,215**	9,986
Cash and cash equivalents	**22,433**	21,935
Trade and other payables	**(46,763)**	(50,297)
Interest-bearing borrowings	**(150,767)**	(187,860)
Overall net exposure	**(93,564)**	(107,073)

At 31 July 2017, if RMB had weakened/strengthened by 5% against US$, with all other variables held constant, post-tax profit for the year would have been approximately RMB3,739,000 lower/higher (2016: post tax loss of RMB4,234,000 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.

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, and amounts due from related parties 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 31 July 2017, 20% (2016: 30%) and 61% (2016: 65%) 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, and amounts due from related parties 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 believes that adequate provision for doubtful debts has been made in the consolidated 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.

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Within 6 months RMB'000	Between 6 months and 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 July 2017					
Borrowings	185,205	65,334	40,286	6,835	297,660
Finance lease liabilities	1,056	1,066	2,158	911	5,191
Trade and other payables	296,172	–	–	–	296,172
Amounts due to related parties	1,753	–	–	–	1,753
At 31 July 2016					
Borrowings	104,223	67,990	41,170	47,090	260,473
Trade and other payables	226,505	–	–	–	226,505
Amounts due to related parties	703	–	–	–	703

(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 19 and 20. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings, details of which are disclosed in note 22. 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 2017, if the interest rates on borrowings had been 50 basis points higher/lower, with all other variables held constant, post-tax profit for the year would have been RMB847,000 lower/higher (2016: post-tax loss of RMB788,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

The Group adopts the amendments to HKFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy.

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

No forward foreign exchange contract was entered as at 31 July 2016 and 2017.

There was no transfer of financial assets and liabilities in the fair value hierarchy classifications for the years ended 31 July 2017 and 2016.

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), and finance lease liabilities 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 2017 and 2016:

	2017 RMB'000	2016 RMB'000
Total borrowings (note 22)	**290,091**	250,184
Finance lease liabilities (note 23)	**4,496**	–
Less: Bank deposits and cash and cash equivalents (notes 19 and 20)	**(120,830)**	(58,572)
Net debt	**173,757**	191,612
Total equity	**426,207**	399,892
Total capital	**599,964**	591,504
Gearing ratio	**29%**	32%

3.4 Offsetting financial assets and financial liabilities

There are no material offsetting, enforceable master netting arrangements and similar agreements.

Notes to the Consolidated Financial Statements

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.

(a) Estimated impairment of non-financial assets

Non-financial assets including property, plant and equipment, interest in an associate and land use rights 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 from third parties and related companies

The Group makes provision for impairment of receivables from third parties and related companies based on an assessment of the collectability of receivables and deposits. 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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(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.

(e) Share-based payments

The Group granted share options to its directors and employees. The Group adopted binomial valuation method to determine the total fair value of the share options granted, which is to be expensed over the respective vesting periods. The significant inputs into the model are disclosed in note 24 and require the use of estimates.

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 them being the reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

5 SEGMENT INFORMATION (CONTINUED)

Revenue for the year consists of the following:

	2017 RMB'000	2016 RMB'000
Revenue		
Plastic injection and moulding	**552,578**	503,483
Assembling of electronic products	**646,787**	319,151
Mould design and fabrication	**71,360**	61,593
	1,270,725	884,227

The Group's customer base is diversified but includes three (2016: four) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the year ended 31 July 2017. These customers individually contributed 12%, 15% and 33% of the Group's revenue (2016: 12%, 14%, 14% and 22%), 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, bills payables and finance lease liabilities attributable to the individual segments.

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

5 SEGMENT INFORMATION (CONTINUED)

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

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 2017 and 2016 is set out below.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**552,578**	503,483	**646,787**	319,151	**71,360**	61,593	**1,270,725**	884,227
Reportable segment result	**52,406**	40,132	**55,684**	37,000	**13,523**	11,088	**121,613**	88,220
Other segment information								
Year ended 31 July								
Depreciation and amortisation for the year	**25,617**	26,568	**16,899**	10,286	**5,441**	5,402	**47,957**	42,256
Write-back of provision for impairment of receivables	**(283)**	(476)	**–**	–	**–**	–	**(283)**	(476)
(Write-back of provision)/provision for impairment of inventories	**(67)**	(557)	**(1,154)**	2,387	**175**	77	**(1,046)**	1,907
Addition to non-current segment assets during the year	**33,418**	77,340	**28,523**	10,481	**9,242**	599	**71,183**	88,420
As at 31 July								
Reportable segment assets	**559,801**	529,952	**165,098**	116,560	**72,557**	66,451	**797,456**	712,963
Reportable segment liabilities	**173,298**	162,416	**120,601**	51,808	**11,419**	7,716	**305,318**	221,940

5 SEGMENT INFORMATION (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Revenue		
Reportable segment revenue	**1,270,725**	884,227
Consolidated revenue	**1,270,725**	884,227
Profit or loss		
Reportable segment profit	**121,613**	88,220
Net loss on forward foreign exchange contracts	**–**	(452)
Finance income	**1,787**	385
Finance costs	**(14,163)**	(12,139)
Unallocated depreciation and amortisation	**(7,116)**	(6,854)
Unallocated head office and corporate expenses	**(68,678)**	(58,786)
Provision for impairment of deposits	**–**	(34,000)
Share of (loss)/profit of an associate	**(9,846)**	2,531
Consolidated profit/(loss) before income tax	**23,597**	(21,095)
Assets		
Reportable segment assets	**797,456**	712,963
Interest in an associate	**17,274**	15,884
Deferred income tax assets	**1,704**	2,221
Unallocated head office and corporate assets	**252,777**	163,785
Consolidated total assets	**1,069,211**	894,853
Liabilities		
Reportable segment liabilities	**305,318**	221,940
Deferred income tax liabilities	**932**	567
Unallocated head office and corporate liabilities	**336,754**	272,454
Consolidated total liabilities	**643,004**	494,961

5 SEGMENT INFORMATION (CONTINUED)

The Group's business is operated in five (2016: five) major economic environments.

Revenue from external customers is analysed as follows:

	2017 RMB'000	2016 RMB'000
Mainland China	**882,520**	516,879
United States of America	**184,214**	184,251
Europe	**163,399**	145,623
Hong Kong	**22,672**	25,789
South East Asia	**17,016**	11,211
Others	**904**	474
	1,270,725	884,227

Analysis of the Group's carrying amounts of segment non-current assets has not been presented as all of the non-current assets are located in the PRC.

6 OTHER INCOME AND OTHER LOSSES – NET

	2017 RMB'000	2016 RMB'000
Other income		
Rental income	**1,291**	5,222
Sales of scrap materials	**1,361**	512
Sundry income	**2,919**	1,919
	5,571	7,653
Other losses – net		
Net foreign exchange loss	**(2,040)**	(3,197)
Net loss on forward foreign exchange contracts	**–**	(452)
Net loss on disposal of property, plant and equipment	**(2,697)**	(1,179)
Provision for impairment of deposits (note 18)	**–**	(34,000)
	(4,737)	(38,828)

7 OPERATING PROFIT/(LOSS)

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

	2017 RMB'000	2016 RMB'000
Amortisation of land use rights (note 14)	507	507
Auditors' remuneration		
– Audit services	1,924	1,846
– Non-audit services	223	148
Cost of sales (note)	1,057,346	735,155
Depreciation (note 14)	54,566	48,603
Operating lease charges in respect of land and buildings		
– factory and hostel rentals	8,554	8,535
(Write-back of provision)/provision for impairment of		
– trade receivables (note 18)	(283)	(476)
– inventories (note 17)	(1,046)	1,907
Provision for impairment of deposits	–	34,000
Staff costs (note 10)	230,275	174,513

Note: Cost of sales included staff costs, depreciation, and operating lease charges, amounting to RMB182,869,000 (2016: RMB149,540,000) in aggregate, which are also included in the respective total amounts disclosed separately above for each type of expense.

8 FINANCE COSTS – NET

	2017 RMB'000	2016 RMB'000
Finance income		
Bank interest income	(1,787)	(385)
Finance costs		
Interest on bank borrowings	12,689	9,880
Less: borrowing costs capitalised as construction in progress (note)	(676)	(32)
	12,013	9,848
Other finance charges	2,150	2,291
	14,163	12,139
Finance costs – net	12,376	11,754

Note: During the year ended 31 July 2017, borrowing costs had been capitalised as construction in progress at the Group's weighted average effective interest rate of 4.3% per annum (2016: 3.6% per annum).

9 INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current income tax		
Provision for the year	**8,974**	9,707
Deferred income tax		
Origination and reversal of temporary differences (note 25)	**1,139**	1,701
	10,113	11,408

No provision has been made for Hong Kong profits tax as the Group did not earn income which is subject to Hong Kong profits tax during the years ended 31 July 2017 and 2016.

The Group's subsidiaries established in the PRC are subject to a corporate income tax rate of 25%, except for two subsidiaries, which are fully exempt from corporate income tax for the first three years after obtaining the concession, follow by a 50% tax exemption for the next three years and had been granted with a preferential rate of 15% from 1 January 2015 to 31 December 2017 whose applicable tax rates will resume as 25% afterwards, respectively.

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

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

The tax charge on the Group's profit/(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:

	2017 RMB'000	2016 RMB'000
Profit/(loss) before income tax	**23,597**	(21,095)
Tax calculated at the applicable domestic tax rate of respective companies	**8,953**	(168)
Tax effect of non-deductible expenses	**8,622**	9,514
Tax effect of tax losses not recognised	**1,557**	4,430
Tax effect on withholding tax of retained profits in the PRC subsidiaries	**622**	436
Utilisation of previously unrecognised tax losses	**(9,641)**	(2,804)
	10,113	11,408

10 STAFF COSTS

	2017 RMB'000	2016 RMB'000
Salaries, wages and allowances	**207,151**	162,421
Contribution to retirement benefit schemes	**12,240**	10,550
Equity settled share-based payment expenses (note 24)	**10,884**	1,542
	230,275	174,513

Staff costs include directors' remuneration totalling RMB17,146,000 (2016: RMB10,974,000) (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 30% 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. The maximum amount of monthly relevant income for MPF mandatory contributions is HK$30,000 (equivalent to RMB26,000).

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

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of directors for the year ended 31 July 2017 is set out below:

	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note (i)) RMB'000	Housing allowance RMB'000	Share-based payments (note (ii)) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings RMB'000	Total RMB'000
Executive directors									
Beh Kim Ling	-	4,790	-	-	971	-	-	-	5,761
Beh Chern Wei	-	1,963	73	-	971	-	-	-	3,007
Gan Sem Yam	-	1,806	-	-	971	-	-	-	2,777
Gan Chu Cheng	-	1,290	-	-	971	-	-	-	2,261
Zhang Pei Yu	-	736	34	-	971	-	-	-	1,741
	-	10,585	107	-	4,855	-	-	-	15,547
Non-executive director									
Gan Tiong Sia	157	-	-	-	487	-	-	-	644
Independent non-executive directors									
Diong Tai Pew	245	-	-	-	98	-	-	-	343
Fu Xiao Nan	208	-	-	-	98	-	-	-	306
Tang Sim Cheow	208	-	-	-	98	-	-	-	306
	661	-	-	-	294	-	-	-	955
	818	10,585	107	-	5,636	-	-	-	17,146

11. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

The remuneration of directors for the year ended 31 July 2016 is set out below:

	Fees	Salaries	Discretionary bonuses (note (i))	Housing allowance	Share-based payments (note (ii))	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors									
Beh Kim Ling	–	4,567	–	–	134	–	–	–	4,701
Beh Chern Wei	–	1,140	79	–	50	–	–	–	1,269
Gan Sem Yam	–	1,721	–	–	134	–	–	–	1,855
Gan Chu Cheng	–	1,230	–	–	134	–	–	–	1,364
Zhang Pei Yu	–	718	53	–	134	–	–	–	905
	–	9,376	132	–	586	–	–	–	10,094
Non-executive director									
Gan Tiong Sia	151	–	–	–	63	–	–	–	214
Independent non-executive directors									
Diong Tai Pew	234	–	–	–	17	–	–	–	251
Fu Xiao Nan	199	–	–	–	–	–	–	–	199
Tang Sim Cheow	199	–	–	–	17	–	–	–	216
	632	–	–	–	34	–	–	–	666
	783	9,376	132	–	683	–	–	–	10,974

11. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

	Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertakings RMB'000	Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings RMB'000	Total RMB'000
For the year ended 31 July 2017	6,454	10,692	17,146
For the year ended 31 July 2016	1,466	9,508	10,974

Note: Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

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 24). 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 2.21.

(b) Directors' retirement benefits

None of the directors receive any retirement benefits during the year (2016: Nil).

(c) Directors' termination benefits

None of the directors receive or will receive any termination benefits during the year (2016: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 July 2017, the Group did not pay consideration to any third parties for making available directors' services (2016: Nil).

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11. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 July 2017, there was no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2016: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2016: four) are directors whose emoluments are disclosed in note 11. The aggregate emoluments in respect of the remaining one (2016: one) individual are as follows:

	2017	2016
	RMB'000	RMB'000
Salaries and other emoluments	**2,276**	2,276
Discretionary bonuses	**244**	190
Share-based payments	**212**	50
	2,732	2,516

The emoluments of the one (2016: one) individual with the highest emoluments are within the following bands:

	Number of individuals	
	2017	2016
HK$3,000,001 – HK$3,500,000	**1**	1

There were no amounts paid during the year ended 31 July 2017 (2016: 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 EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company of RMB13,484,000 (2016: loss of RMB32,503,000) and the weighted average number of ordinary shares in issue during the year as follows:

	2017 **RMB'000**	2016 RMB'000
Profit/(loss) attributable to owners of the Company	**13,484**	(32,503)

	2017	2016 (Restated)
Weighted average number of ordinary shares in issue ('000)	**1,898,746**	1,888,173
Basic earnings/(loss) per share (RMB cents)	**0.71**	(1.72)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) 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.

	2017
Profit attributable to owners of the Company (RMB'000)	**13,484**
Weighted average number of ordinary shares in issue ('000)	**1,898,746**
Adjustment for share options ('000)	**1,196**
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,899,942**
Diluted earnings per share (RMB cent)	**0.71**

The weighted average number of ordinary share in issue during the year and the comparative period for basic and diluted earnings/(loss) per share were adjusted with the effect of bonus element of the rights issue which was completed on 12 September 2017.

For the year ended 31 July 2016, diluted loss per share equal basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

14 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS

	Buildings	Leasehold Improve-ments	Plant, moulds and machinery	Power generating machinery and equipment	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Sub-total	Land use rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost										
At 1 August 2015	295,311	18,306	722,053	–	50,128	19,915	947	1,106,660	25,471	1,132,131
Additions	174	901	18,789	67,970	1,055	227	279	89,395	–	89,395
Disposals	–	(356)	(22,714)	–	(308)	(545)	–	(23,923)	–	(23,923)
At 31 July 2016	295,485	18,851	718,128	67,970	50,875	19,597	1,226	1,172,132	25,471	1,197,603
At 1 August 2016	**295,485**	**18,851**	**718,128**	**67,970**	**50,875**	**19,597**	**1,226**	**1,172,132**	**25,471**	**1,197,603**
Additions	**4,957**	**6,936**	**64,946**	**-**	**2,969**	**2,553**	**26,410**	**108,771**	**-**	**108,771**
Disposals	**-**	**-**	**(24,528)**	**-**	**(2,738)**	**(649)**	**-**	**(27,915)**	**-**	**(27,915)**
At 31 July 2017	**300,442**	**25,787**	**758,546**	**67,970**	**51,106**	**21,501**	**27,636**	**1,252,988**	**25,471**	**1,278,459**
Accumulated depreciation, amortisation and impairment										
At 1 August 2015	79,517	9,980	540,684	–	38,019	15,579	–	683,779	6,388	690,167
Charge for the year	7,059	1,469	34,588	2,004	1,970	1,513	–	48,603	507	49,110
Written back on disposals	–	(175)	(14,436)	–	(248)	(491)	–	(15,350)	–	(15,350)
At 31 July 2016	86,576	11,274	560,836	2,004	39,741	16,601	–	717,032	6,895	723,927
At 1 August 2016	**86,576**	**11,274**	**560,836**	**2,004**	**39,741**	**16,601**	**-**	**717,032**	**6,895**	**723,927**
Charge for the year	**7,143**	**1,996**	**39,425**	**3,166**	**1,612**	**1,224**	**-**	**54,566**	**507**	**55,073**
Written back on disposals	**-**	**-**	**(12,950)**	**-**	**(2,394)**	**(584)**	**-**	**(15,928)**	**-**	**(15,928)**
At 31 July 2017	**93,719**	**13,270**	**587,311**	**5,170**	**38,959**	**17,241**	**-**	**755,670**	**7,402**	**763,072**
Net book value										
At 31 July 2017	**206,723**	**12,517**	**171,235**	**62,800**	**12,147**	**4,260**	**27,636**	**497,318**	**18,069**	**515,387**
At 31 July 2016	**208,909**	**7,577**	**157,292**	**65,966**	**11,134**	**2,996**	**1,226**	**455,100**	**18,576**	**473,676**

At 31 July 2017 and 2016, the Group's land use rights and certain of its property, plant and equipment have been pledged as security for its trade finances, overdrafts and bank loans (note 22).

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation incurred during the year is attributable to the following:

	2017 RMB'000	2016 RMB'000
Cost of sales	41,000	35,347
Distribution costs	437	436
General and administrative expenses	13,129	12,820
	54,566	48,603

Machinery includes the following amounts where the Group is a leasee under a finance lease:

	2017 RMB'000	2016 RMB'000
Cost – capitalised finance lease	5,714	–
Accumulated depreciation	–	–
Net book value	5,714	–

The Group leases various machinery under a non-cancellable finance lease agreement. The lease term is 2.5 years and ownership of the assets lie within the Group.

15 SUBSIDIARIES

Details of the Group's subsidiaries at 31 July 2017 are set out below.

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries
V.S. International Industry Limited ("VSIIL")	British Virgin Islands ("BVI"), limited liability company	Investment holding in the PRC	US$100	100%	100%	–
V.S. Investment Holdings Limited	BVI, limited liability company	Dormant	HK$54,000,025	100%	100%	–
V.S. Corporation (Hong Kong) Co. Limited ("VSHK")	Hong Kong, limited liability company	Trading of electronic products, parts and components, and investment holding in the PRC	HK$75,000,002 (HK$75,000,000 non-voting deferred shares and HK$2 ordinary shares (note (iii))	100%	–	100%
V.S. Technology Industry Park (Zhuhai) Co. Ltd (note (i))	PRC, limited liability company	Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components in the PRC	US$36,820,000	100%	–	100%

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15 SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by subsidiaries
Haivs Industry (Qingdao) Co Ltd (note (i))	PRC, limited liability company	Investment holding in the PRC	RMB32,150,000	100%	–	100%
Qingdao GS Electronics Plastics Co., Ltd (note (i))	PRC, limited liability company	Manufacturing and selling of plastic moulded products and parts in the PRC	RMB73,980,000	100%	–	100%
Qingdao GP Electronic Plastics Co., Ltd. (note (ii))	PRC, limited liability company	Dormant	US$11,000,000	100%	–	100%
Qingdao GP Precision Mold Co Ltd. (note (i)	PRC, limited liability company	Dormant	US$3,000,000	100%	–	100%
VSA Holding Hong Kong Co., Limited	Hong Kong, limited liability company	Investment holding in the PRC	HK$15,600,000	100%	–	100%
Energy Ally Global Limited	BVI, limited liability company	Investment holding in the PRC	US$10,000	100%	100%	–
VSA Electronics Technology (Zhuhai) Co Ltd. (note (i))	PRC, limited liability company	Assembling and selling of electronic products, parts and components in the PRC	US$15,250,000	100%	–	100%
V.S. Industry (Zhuhai) Co., Ltd. (note (i))	PRC, limited liability company	Manufacturing and selling of plastic moulded products and parts in the PRC	US$9,540,000	100%	–	100%
V.S. Holding Vietnam Limited	BVI, limited liability company	Investment holding in the PRC	US$100	100%	100%	–
V.S. Industry Holding Limited	Hong Kong, limited liability company	Investment holding in the PRC	HK$100	100%	100%	–
V.S. ECO-TECH (Zhuhai) Co., Ltd. (note (i))	PRC, limited liability company	Dormant	RMB7,250,000	100%	–	100%
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 (iv))	PRC, limited liability company	Product design and trading of electronic products, parts and components in the PRC	RMB11,000,000	100%	–	100%
Zhuhai Deyuan Energy Conservation Technology Company Limited 珠海德源節能科技有限公司(note (iv))	PRC, limited liability company	Operation and management of rooftop solar plant	RMB20,000,000	100%	–	100%

15 SUBSIDIARIES (CONTINUED)

Notes:

(i) These are wholly foreign owned enterprises established in the PRC.

(ii) This is a sino-foreign equity joint venture company established in the PRC. The registered capital is held by two of the Company's wholly-owned subsidiaries.

(iii) 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.

(iv) 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.

16 INTEREST IN AN ASSOCIATE

	2017	2016
	RMB'000	RMB'000
At beginning of the year	**15,884**	13,353
Addition of investment (note)	**11,236**	–
Share of (loss)/profit	**(9,846)**	2,531
At end of the year	**17,274**	15,884

The particulars of the Group's associate as at 31 July 2017 are as follows:

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by subsidiaries	Measurement method
VS Industry Vietnam Joint Stock Company ("VS Vietnam")	Vietnam, Limited liability company	Manufacturing and selling of plastic moulded products and parts in Vietnam	Legal capital of US$16,731,250	25.32%	25.32%	Equity method

Note: During the year ended 31 July 2017, the Group entered into a share subscription agreement with VS Vietnam to subscribe 3,102,700 shares at consideration of US$1,633,000 (equivalent to approximately RMB11,236,000) which was settled by offsetting amount due from an associate. The Group's effective interest in VS Vietnam increase to 25.32% (2016:23.93%).

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.

16 INTEREST IN AN ASSOCIATE (CONTINUED)

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

Summarised statement of financial position

	2017 RMB'000	2016 RMB'000
Current assets	189,262	178,292
Non-current assets	138,868	150,965
Current liabilities	(245,391)	(239,109)
Non-current liabilities	(14,516)	(23,770)
Net assets	68,223	66,378

Summarised statement of comprehensive income

	2017 RMB'000	2016 RMB'000
Revenue	355,752	290,018
Expenses	(394,660)	(279,441)
Total comprehensive (loss)/income	(38,908)	10,577

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

	2017 RMB'000	2016 RMB'000
Opening net assets	66,378	55,801
Capital injection by existing shareholders	40,753	–
Total comprehensive (loss)/income	(38,908)	10,577
Closing net assets	68,223	66,378
Effective interest in an associate	25.32%	23.93%
Interest in an associate	17,274	15,884
Carrying value	17,274	15,884

17 INVENTORIES

Inventories included in the consolidated statement of financial position comprise:

	2017 RMB'000	2016 RMB'000
Raw materials	53,190	31,682
Work-in-progress	26,206	18,949
Finished goods	63,216	55,624
Inventories – gross	142,612	106,255
Provision for impairment	(9,850)	(11,386)
Inventories – net	132,762	94,869

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

	2017 RMB'000	2016 RMB'000
Beginning of the year	11,386	10,120
(Write-back of provision)/provision for the year	(1,046)	1,907
Write-off	(490)	(641)
End of the year	9,850	11,386

18 TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	154,173	148,441
Bills receivables	64,914	51,910
Trade and bills receivables – gross	219,087	200,351
Less: Provision for impairment	(1,645)	(5,251)
Trade and bills receivables – net	217,442	195,100
Other receivables, prepayments and deposits	83,969	72,151
Less: Provision for impairment (note)	(34,000)	(34,000)
Other receivables, prepayments and deposits – net	49,969	38,151
Less: Prepayments and deposits (non-current)	(11,420)	(9,772)
Total trade and other receivables (current)	255,991	223,479

Note:

Included in "other receivables, prepayments and deposits" were deposits of RMB34,000,000 ("Deposits") in relation to a conditional acquisition agreement (as supplemented) ("Agreement") entered into with a third party vendor ("Vendor") on 5 February 2015 to acquire from the Vendor 20% equity interest of a company involved in a solar energy project in Inner Mongolia, the PRC for a consideration of RMB44,000,000 subject to fulfilment of certain conditions set out therein. In addition, under the Agreement, upon completion of the acquisition of the 20% equity interest, the Group would be entitled to an option for an exercisable period of 3 months to acquire the remaining 80% equity interest of the target company at its sole discretion.

On 1 November 2015, the Agreement lapsed as certain conditions as set out in the Agreement had not been fulfilled. The Group had been in discussions with the Vendor regarding the full refund of Deposits of RMB34,000,000. On 31 August 2016, a settlement agreement ("Settlement Agreement") was entered into between the Group and the Vendor, pursuant to which the Vendor shall repay the Deposits and the interest thereon at 5% per annum by 30 November 2016.

As at 31 July 2016 and the date of these consolidated financial statements, the Deposits have not yet been refunded to the Group nor the interest was settled. In view of the lapse of the Agreement and Settlement Agreement, and there is no collateral or guarantee provided by the Vendor to the Group on the refund of the Deposits, a provision for impairment was made on the entire amount of the Deposits in the year ended 31 July 2016. The Group is under a legal proceeding against the Vendor regarding the full refund of Deposits and the relevant interests.

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**207,956**	187,615
Past due for:		
Less than 1 month	**5,419**	2,906
1 to 3 months	**2,559**	1,958
More than 3 months	**3,153**	7,872
	11,131	12,736
	219,087	200,351

As at 31 July 2017, trade receivables of RMB9,486,000 (2016: RMB7,485,000) 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 2017, trade receivables of RMB1,645,000 (2016: RMB5,251,000) were impaired and fully provided for. Movements in the Group's provision for impairment of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000
At 1 August	**5,251**	9,804
Write-back of provision for impairment (note 7)	**(283)**	(476)
Write-off	**(3,323)**	(4,077)
At 31 July	**1,645**	5,251

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. Certain bills receivables have been pledged as security for certain banking facilities, including trade finances, overdrafts and bank loans (note 22).

19 BANK DEPOSITS

	2017	2016
	RMB'000	RMB'000
Pledged deposits with banks (Note)	**70,670**	12,986

Note:

The deposits are pledged to banks as security for certain banking facilities, including trade finances, overdrafts and bank loans (note 22).

20 CASH AND CASH EQUIVALENTS

	2017	2016
	RMB'000	RMB'000
Cash at banks and on hand	**50,160**	45,586

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

	2017	2016
	RMB'000	RMB'000
Cash and cash equivalents	**50,160**	45,586
Bank overdrafts (note 22)	**(20,658)**	(17,524)
Cash, cash equivalents and bank overdrafts	**29,502**	28,062

21 TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**224,760**	154,926
Bills payables	**–**	7,211
Trade and bills payables	**224,760**	162,137
Payables for the purchase of property, plant and equipment	**18,321**	14,923
Accrued expenses and other payables	**53,091**	49,445
Receipts in advance	**41,223**	8,188
Trade and other payables	**337,395**	234,693

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

	2017 RMB'000	2016 RMB'000
Less than 1 month	**58,250**	49,620
1 to 3 months	**103,784**	72,750
More than 3 months	**62,726**	39,767
	224,760	162,137

22 BORROWINGS

	2017 RMB'000	2016 RMB'000
Current		
Short-term bank borrowings, secured	**30,000**	30,000
Short-term bank borrowings, unsecured	**13,898**	14,800
Bank overdrafts, secured	**20,658**	17,524
Trust receipts bank loans, secured	**139,010**	62,625
Portion of bank borrowings repayable within one year, secured	**40,361**	39,836
	243,927	164,785
Non-current		
Bank borrowings repayable after one year but within two years, secured	**39,437**	39,836
Bank borrowings repayable after two years but within five years, secured	**6,727**	45,563
	46,164	85,399
Total borrowings	**290,091**	250,184

As at 31 July 2017 and 2016, 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:

	2017 RMB'000	2016 RMB'000
– at floating rates	**246,193**	205,384

	2017	2016
Trust receipt bank loans	**4.2%**	3.1%
Bank overdrafts	**7.0%**	7.0%
Other bank borrowings	**3.0%**	3.4%

As at 31 July 2017, the Group's borrowings of RMB43,898,000 (2016: RMB44,800,000) are carried at fixed rates and bear interest at rate 5.7% per annum (2016: 4.4% to 5.7% per annum).

22 BORROWINGS (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Bills receivables (note 18)	–	4,212
Bank deposits (note 19)	70,670	12,986
Buildings (note 14)	182,806	184,549
Plant and machinery (note 14)	24,678	31,369
Land use rights (note 14)	15,092	15,524
	293,246	248,640

The above-mentioned secured banking facilities, including trade finances, overdrafts and bank loans, totalling RMB335,682,000 (2016: RMB266,111,000), were utilised to the extent of RMB276,193,000 at 31 July 2017 (2016: RMB235,384,000). The Group's banking facilities also included certain unsecured banking facilities, totalling RMB50,000,000 (2016: RMB82,500,000), which were utilised to the extent of RMB13,898,000 at 31 July 2017 (2016: RMB14,800,000).

23 FINANCE LEASE LIABILITIES

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

	2017 RMB'000	2016 RMB'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	2,122	–
Later than 1 year and no later than 5 years	3,069	–
	5,191	–
Future finance charges on finance leases	(695)	–
Present value of finance lease liabilities	4,496	–
The present value of finance lease liabilities is as follows:		
No later than 1 year	1,683	–
Later than 1 year and no later than 5 years	2,813	–
	4,496	–

24 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 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 option scheme at an exercise price of HK$0.308 per share. The options' fair value of HK$12,654,000 (equivalent to RMB10,137,000) was measured at grant date using the binomial option pricing model.

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.

Pursuant to the resolution duly passed by directors of the Company at a meeting of the board on 22 December 2016, the board approved the grant of 176,320,000 share options under rules of the share option scheme at an exercise price of HK$0.326 per share. On the same date, the financial information of the Group for the three months ended 31 October 2016 was published in order for its holding company, V.S. Industry Berhad, to compile its quarterly report in compliance with the applicable laws and regulations in Malaysia. As such financial information is considered as inside information, the board announced to withdraw the grant of share options of 176,320,000 on 5 January 2017 with grantees' consent in compliance with the Rules Governing the Listing of Securities on the Stock Exchange.

Pursuant to the resolution duly passed at EGM of the Company held on 10 February 2017, 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 EGM. As at the date of the EGM, there were 1,836,024,291 shares of the Company in issue. Accordingly, the initial mandate was 183,602,429 shares of the Company.

Pursuant to the resolution in writing signed by directors on 12 January 2017, 176,320,000 share options ("New Share Options") were granted under the rules of the share option scheme at an exercise price of HK$0.320 per share. The option's fair value of HK$17,003,000 (equivalent to RMB15,226,000) was measured at grant date using the binomial option pricing model. For the year ended 31 July 2017, an amount of RMB10,884,000 (2016: RMB1,542,000) was recognised as employee costs with a corresponding increase in capital reserve within equity.

24 SHARE OPTION SCHEME (CONTINUED)

(a) Terms and conditions of share options granted 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
13 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

The terms and conditions of the New Share Options granted during the year ended 31 July 2017 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
12 January 2017	12 January 2017 to 28 February 2017	1 March 2017 to 28 February 2019	0.320	88,160,000
	12 January 2017 to 28 February 2018	1 March 2018 to 28 February 2019	0.320	88,160,000
				176,320,000

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.

Notes to the Consolidated Financial Statements

24 SHARE OPTION SCHEME (CONTINUED)

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

	2017		2016	
	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	72,836	0.308	83,644
Granted during the year	0.320	176,320	N/A	–
Exercised during the year	0.308	(7,234)	0.308	(10,808)
Lapsed during the year	0.308	(65,902)	N/A	–
Outstanding at the end of the year	0.320	176,020	0.308	72,836
Exercisable at the end of the year	0.320	87,860	0.308	37,336

During the year ended 31 July 2017, 7,234,000 (2016: 10,808,000) share options were exercised. The gross proceeds received by the Company were HK$2,232,000 (equivalent to RMB1,947,000) (2016: HK$3,329,000 (equivalent to RMB2,753,000)), among which RMB315,000 (2016: RMB447,000) and RMB2,410,000 (2016: RMB3,339,000) was credited to share capital account and share premium account respectively, and RMB778,000 (2016: RMB1,033,000) was debited to employee share-based capital reserve.

The share options outstanding as at 31 July 2017 had an exercise price of HK$0.320 (2016: HK$0.308).

(c) Fair value of options and assumptions

The fair value of the options granted on 16 December 2013 was determined using the binomial valuation method at the date of grant; no subsequent revaluation at the period end is required. The significant inputs into the model were expected dividend yield of 0%, weighted average option life of 3.6 years, expected volatility of 64.81% and the risk-free rate of 0.735% based on Hong Kong Exchange Fund Notes.

The fair value of the options granted on 12 January 2017 was determined using the binomial valuation method at the date of grant; no subsequent revaluation at the period end is required. The significant inputs into the model were expected dividend yield of 0%, weighted average option life of 2.13 years, expected volatility of 63.27% and the risk-free rate of 0.980% based on Hong Kong Government Bond Yield.

25 DEFERRED INCOME TAX

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

	2017 RMB'000	2016 RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	1,704	2,221
Deferred tax liabilities:		
– to be recovered after more than 12 months	(932)	(567)
Deferred tax assets – net	772	1,654

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

	Deferred tax on the impairment losses of trade receivables and inventories RMB'000	Withholding tax on future dividend income from PRC subsidiaries RMB'000	Total RMB'000
At 1 August 2015	3,486	(521)	2,965
Payment of withholding tax	–	390	390
Charged to profit or loss (note 9)	(1,265)	(436)	(1,701)
At 31 July 2016	2,221	(567)	1,654
At 1 August 2016	2,221	(567)	1,654
Payment of withholding tax	–	257	257
Charged to profit or loss (note 9)	(517)	(622)	(1,139)
At 31 July 2017	1,704	(932)	772

The Group did not recognise deferred income tax assets of RMB15,712,000 (2016: RMB30,426,000) in respect of tax losses amounting to RMB68,729,000 (2016: RMB123,959,000) that can be carried forward against future taxable income, which will expire between 2018 and 2022 (2016: 2017 and 2021).

26 SHARE CAPITAL AND SHARE PREMIUM

	2017			2016		
	Number of shares ('000)	**Share capital ('000)**	**Share premium ('000)**	Number of shares ('000)	Share capital ('000)	Share premium ('000)
Authorised:						
Ordinary shares of HK$0.05 each	**4,000,000**	**200,000**	**–**	4,000,000	200,000	–
Issued and fully paid:						
(RMB'000)						
At beginning of year	**1,832,546**	**84,996**	**234,180**	1,821,738	84,549	230,841
Issuance of share upon exercising of share options (note 24(b))	**7,234**	**315**	**2,410**	10,808	447	3,339
At end of year	**1,839,780**	**85,311**	**236,590**	1,832,546	84,996	234,180

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.

27 RESERVES

	Note	Capital reserves RMB'000	Statutory reserve fund RMB'000 (note (i))	Employee share-based capital reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 August 2015		11,752	61,333	6,589	33,036	112,710
Comprehensive loss						
Loss for the year		–	–	–	(32,503)	(32,503)
Total comprehensive loss		–	–	–	(32,503)	(32,503)
Issuance of shares upon exercising of share options	24	–	–	(1,033)	–	(1,033)
Appropriation (note (i))		–	3,466	–	(3,466)	–
Fair value of employee services under the share options scheme	24	–	–	1,542	–	1,542
Total transactions with owners, recognised directly in equity		–	3,466	509	(3,466)	509
Balance at 31 July 2016 and 1 August 2016		11,752	64,799	7,098	(2,933)	80,716
Comprehensive income						
Profit for the year		–	–	–	13,484	13,484
Total comprehensive income		–	–	–	13,484	13,484
Issuance of shares upon exercising of share options	24	–	–	(778)	–	(778)
Appropriation (note (i))		–	2,288	–	(2,288)	–
Share options granted to employees lapsed		–	–	(6,341)	6,341	–
Fair value of employee services under the share options scheme	24	–	–	10,884	–	10,884
Total transactions with owners, recognised directly in equity		–	2,288	3,765	4,053	10,106
Balance at 31 July 2017		11,752	67,087	10,863	14,604	104,306

Note:

(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.

Notes to the Consolidated Financial Statements

28 DIVIDENDS

No dividend has been paid or declared by the Company for the years ended 31 July 2017 and 2016.

29 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 July 2017 not provided for in the consolidated financial statements are as follows:

	2017	2016
	RMB'000	RMB'000
Authorised and contracted for	**8,635**	2,003

(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:

	2017	2016
	RMB'000	RMB'000
Within one year	**4,288**	4,207

The Group as lessor

As at 31 July 2017 and 2016, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**222**	2,262

As at 31 July 2017 and 2016, the Company does not have any significant commitments.

30 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	2017 RMB'000	2016 RMB'000
Sales to the ultimate holding company	1,851	1,332
Sales to an associate	8,188	7,043
	10,039	8,375
Operating lease charges paid and payable to a company controlled by a director	7,408	7,408
Purchase of fabricated moulds and certain moulded products and parts from a company controlled by a family member of a director	2,403	20
Management fee paid and payable to a company controlled by a director	507	507
Sub-contracting fee paid and payable to a company controlled by a family member of a director	7,330	6,150
Repair and maintenance services paid and payable to a company controlled by a family member of a director	1,550	346

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:

	2017 RMB'000	2016 RMB'000
Amount due from a company controlled by a director	2,687	2,490
Amount due from an associate (note)	11,156	13,890
	13,843	16,380

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

30 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 over-due date is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**3,468**	1,696
Past due for:		
Less than 1 month	**1,866**	376
1 to 3 months	**1,386**	1,055
More than 3 months	**4,436**	10,763
	7,688	12,194
	11,156	13,890

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 120 days.

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

	2017 RMB'000	2016 RMB'000
Amounts due to directors	**202**	200
Amount due to the ultimate holding company	**8**	32
Amount due to a company controlled by a family member of a director	**1,543**	471
	1,753	703

The 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.

31 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Note	**2017 RMB'000**	2016 RMB'000
Profit/(loss) before income tax		**23,597**	(21,095)
Adjustments for:			
– Finance costs	8	**14,163**	12,139
– Interest income	8	**(1,787)**	(385)
– Fair value of derivative financial instruments		**–**	(7)
– Amortisation of land use rights	7	**507**	507
– Depreciation	7	**54,566**	48,603
– Share of loss/(profit) an associate		**9,846**	(2,531)
– Provision for impairment of deposits	6	**–**	34,000
– Net loss on disposal of property, plant and equipment	6	**2,697**	1,179
– Equity settled share-based payment expenses	10	**10,884**	1,542
		114,473	73,952
Changes in working capital:			
Inventories		**(37,893)**	7,710
Trade and other receivables		**(32,512)**	(11,611)
Amounts due from related companies		**(8,699)**	3,809
Amounts due to related companies		**1,050**	(209)
Trade and other payables		**99,304**	(18,079)
Cash generated from operations		**135,723**	55,572

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

	2017 RMB'000	2016 RMB'000
Net book amount disposed	**11,987**	8,573
Proceeds received	**(9,290)**	(7,394)
Loss on disposals	**2,697**	1,179

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2017 RMB'000	2016 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**308,844**	308,844
Current assets		
Other receivables	**2**	2
Amounts due from subsidiaries	**65,306**	53,659
Cash and cash equivalents	**25**	215
	65,333	53,876
Total assets	**374,177**	362,720
EQUITY		
Capital and reserves		
Share capital	**85,311**	84,996
Share premium (Note (a(i)))	**236,590**	234,180
Deficits (Note (a))	**(36,510)**	(20,699)
Total equity attributable to owners of the Company	**285,391**	298,477
LIABILITIES		
Current liabilities		
Other payables	**1,847**	1,339
Amounts due to subsidiaries	**86,939**	62,904
Total liabilities	**88,786**	64,243
Total equity and liabilities	**374,177**	362,720

The statement of financial position of the Company was approved by the Board of Directors on 23 September 2017 and was signed on its behalf.

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Equity movement of the Company

	Contributed surplus RMB'000 (note (i))	**Employee share-based capital reserve** RMB'000 (note (ii))	**Accumulated losses** RMB'000	**Total** RMB'000
Balance at 1 August 2015	148,621	6,589	(123,531)	31,679
Comprehensive loss				
Loss for the year	–	–	(52,887)	(52,887)
Issuance of shares upon exercising of share options	–	(1,033)	–	(1,033)
Fair value of employee services under the share options scheme	–	1,542	–	1,542
Balance at 31 July 2016 and 1 August 2016	**148,621**	**7,098**	**(176,418)**	**(20,699)**
Comprehensive loss				
Loss for the year	**–**	**–**	**(25,917)**	**(25,917)**
Issuance of shares upon exercising of share options	**–**	**(778)**	**–**	**(778)**
Share options granted to employees lapsed	**–**	**(6,341)**	**6,341**	**–**
Fair value of employee services under the share options scheme	**–**	**10,884**	**–**	**10,884**
Balance at 31 July 2017	**148,621**	**10,863**	**(195,994)**	**(36,510)**

Notes:

(i) 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.

(ii) 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 2.21.

33 EVENT AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

In September 2017, the Group has successfully raised cash proceeds of approximately RMB89.12 million (equivalent to approximately HK$105.80 million) from a rights issue at a subscription price of HK$0.230 per rights share on basis of one rights share for every four existing shares. After the completion of rights issue, adjustments were made to the total number of share options which were outstanding from 176,020,000 to 181,975,564 and the exercise price was adjusted from HK$0.320 per share to HK$0.310 per share.

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

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

Malayan Banking Berhad Hong Kong Branch
Industrial & Commercial Bank of China Ltd.
Agricultural Bank of China
Malayan Banking Berhad Shenzhen Branch

SUBSIDIARIES

V.S. International Industry Limited
V.S. Holding Vietnam Limited
Energy Ally Global Limited
Vistra Corporate Services Central
Wickhams Cay II, Road Town, Tortola
VG1110, British Virgin Islands

V.S. Investment Holdings Limited
Belmont Chambers, P.O. Box 3443
Road Town, Tortola
British Virgin Islands

Corporate Information

V.S. Corporation (Hong Kong) Co., Limited
VSA Holding Hong Kong Co., Limited
V.S. Industry Holding Limited
RM4018, 40/F, Jardine House
1 Connaught Place
Central, Hong Kong
Tel. No: (852) 2511 9002
Fax No: (86) 756 3385 681

V.S. Technology Industry Park (Zhuhai) Co., Ltd.
V.S. Industry (Zhuhai) Co., Ltd.
VSA Electronics Technology (Zhuhai) Co., Ltd.
V.S. ECO-TECH (Zhuhai) Co., Ltd.
V.S. Industrial Product Design (Zhuhai) Co., Ltd.
Zhuhai Deyuan Energy Conservation Technology Company Limited
Beisha Village, Tangjia Wan Town
Xiangzhou District
519085 Zhuhai
Guangdong Province
The People's Republic of China
Tel. No: (86) 756 6295 888
Fax No: (86) 756 3385 691/681

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

Qingdao GP Electronic Plastics Co., Ltd.
Qingdao GP Precision Mold Co., Ltd.
Hetao Export Processing Zone
Chengyang District
266113 Qingdao
Shandong Province
The People's Republic of China
Tel. No: (86) 532 8792 3666
Fax No: (86) 532 8792 3660

ASSOCIATED COMPANY

VS Industry Vietnam Joint Stock Company
Quevo Industrial Park, Vanduong Commune
Quevo District
Bacninh Province
Vietnam
Tel. No: (84) 241 3634 300
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

	2017 RMB'000	2016 RMB'000	2015 RMB'000 (Restated)	2014 RMB'000 (Restated)	2013 RMB'000 (Restated)
Results					
Revenue	**1,270,725**	884,227	934,472	1,087,353	978,703
Operating profit/(loss)	**45,819**	(11,872)	2,978	5,804	(1,631)
Finance costs – net	**(12,376)**	(11,754)	(13,122)	(16,985)	(17,616)
Share of (loss)/profit of an associate	**(9,846)**	2,531	(2,677)	(1,188)	(3,533)
Profit/(loss) before income tax	**23,597**	(21,095)	(12,821)	(12,369)	(22,780)
Income tax expense	**(10,113)**	(11,408)	(10,345)	(8,019)	(7,727)
Profit/(loss) for the year	**13,484**	(32,503)	(23,166)	(20,388)	(30,507)
Attributable to:					
Owners of the Company	**13,484**	(32,503)	(23,166)	(20,388)	(30,507)
Assets and liabilities					
Non-current assets	**545,785**	501,553	532,234	481,456	526,888
Current assets	**523,426**	393,300	412,513	505,108	428,077
Total assets	**1,069,211**	894,853	944,747	986,564	954,965
Current liabilities	**(593,095)**	(408,995)	(398,991)	(503,646)	(444,550)
Non-current liabilities	**(49,909)**	(85,966)	(117,656)	(157,162)	(180,771)
NET ASSETS	**426,207**	399,892	428,100	325,756	329,644
Share capital	**85,311**	84,996	84,549	70,890	65,518
Reserves	**340,896**	314,896	343,551	254,866	264,126
TOTAL EQUITY	**426,207**	399,892	428,100	325,756	329,644
Earnings/(loss) per share					
Basic	**0.71 cent**	(1.72) cents	(1.37) cents	(1.47) cents	(2.43) cents
Diluted	**0.71 cent**	(1.72) cents	(1.37) cents	(1.47) cents	(2.43) cents