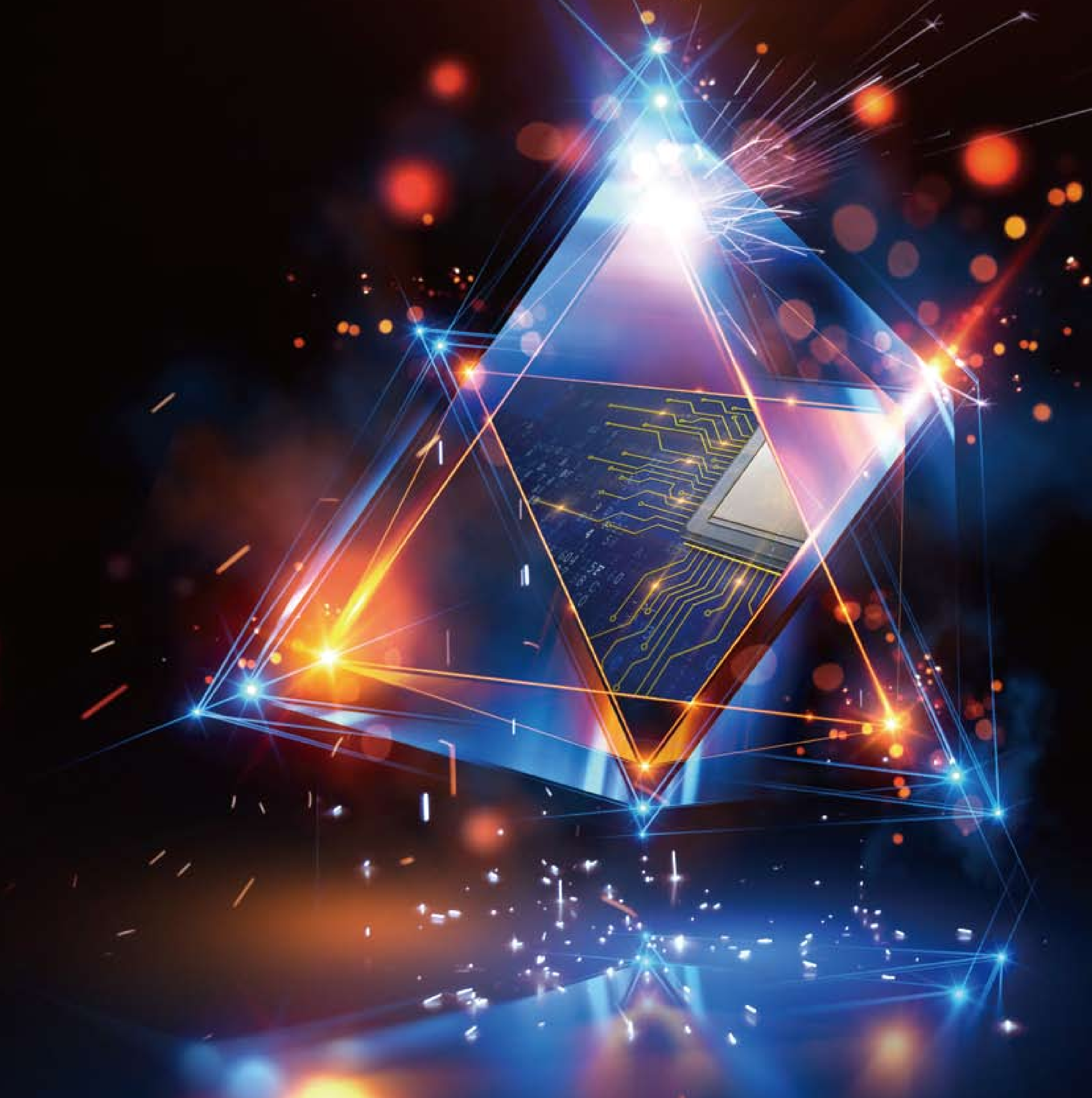
V.S. International Group Limited
威鋮國際集團有限公司

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

Annual Report
2018/19



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Corporate Profile

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

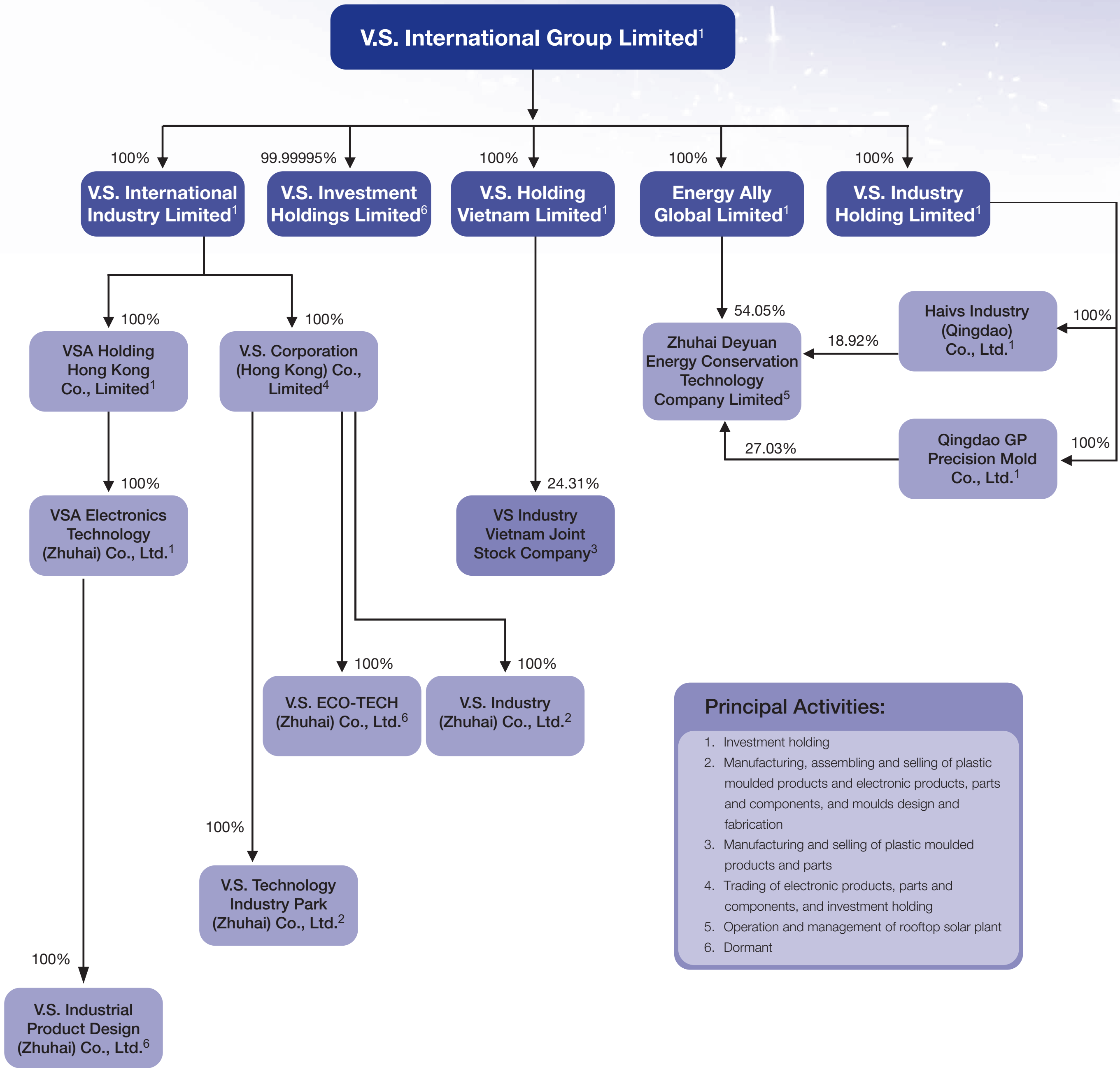
The Group commenced its business in 1997 in Shenzhen, the People's Republic of China ("PRC") and was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") in February 2002. The Company is a subsidiary of V.S. Industry Berhad, a company incorporated in Malaysia with limited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

The Group's main production facility is located at Zhuhai in the PRC. In addition, it has an associated company in Hanoi, Vietnam, which is principally engaged in contract manufacturing of plastic moulded products for international brands of electronics consumer products.

The Group is a leading integrated electronics manufacturing services ("EMS") provider, and together with its holding company, V.S. Industry Berhad has become one of the world's top 50 EMS providers.

Corporate Structure

As of 25 September 2019



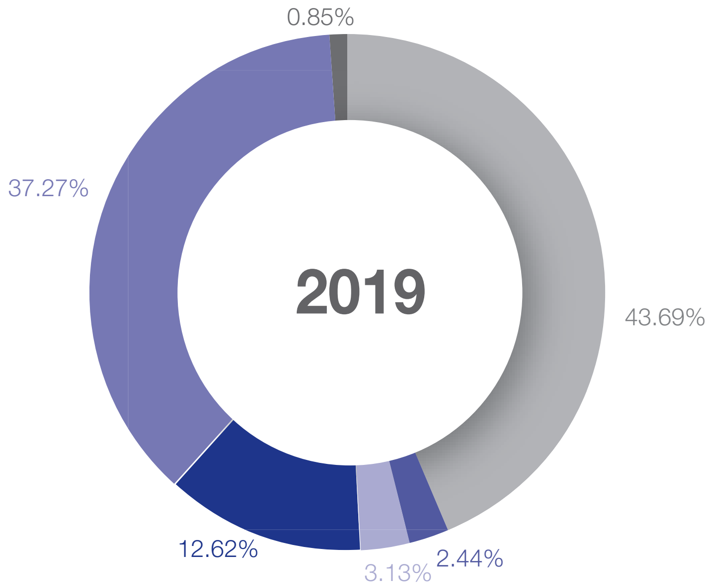
Principal Activities:

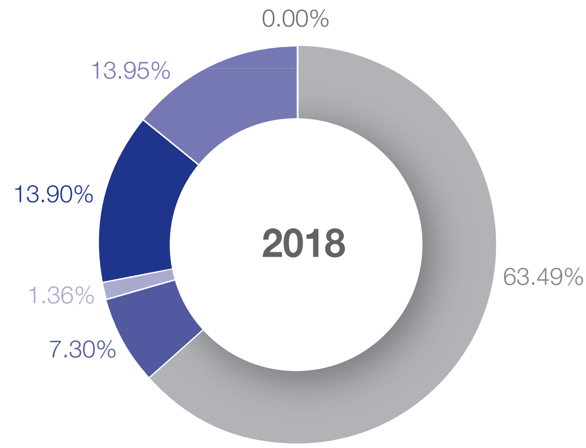
1. Investment holding
2. Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components, and moulds design and fabrication
3. Manufacturing and selling of plastic moulded products and parts
4. Trading of electronic products, parts and components, and investment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

Financial Highlights

Key Financial Data	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total equity	**391,338**	510,288	426,207	399,892	428,100
Total assets	**727,592**	1,011,740	1,069,211	894,853	944,747
Total liabilities	**336,254**	501,452	643,004	494,961	516,647
Net borrowings	**72,572**	114,780	173,757	191,612	187,577
Capital expenditure	**25,817**	101,575	108,771	89,395	35,882
Gearing ratio (net) (%)	**9.97%**	11.34%	16.25%	21.41%	19.85%
Finance costs over turnover (%)	**2.43%**	1.24%	1.11%	1.37%	1.48%

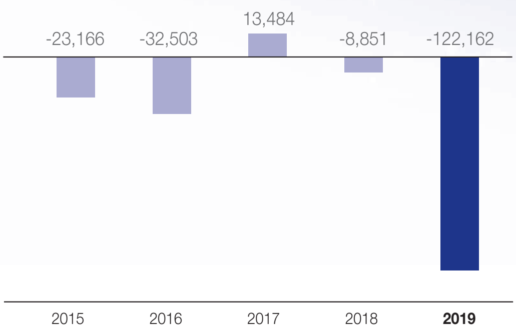
Sales Breakdown by Geographical Locations





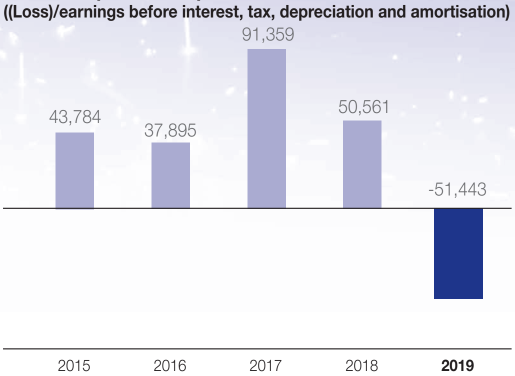
- Mainland China
- Hong Kong
- South East Asia
- Europe
- United States of America
- Others

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

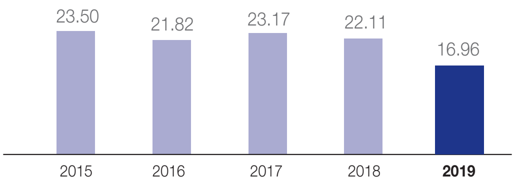


EBITDA (RMB'000)

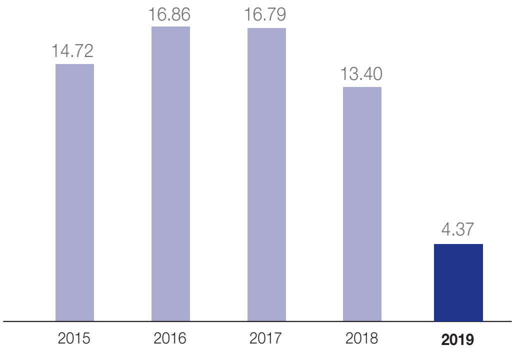
((Loss)/earnings before interest, tax, depreciation and amortisation)



Net Tangible Assets Per Share (RMB cents)

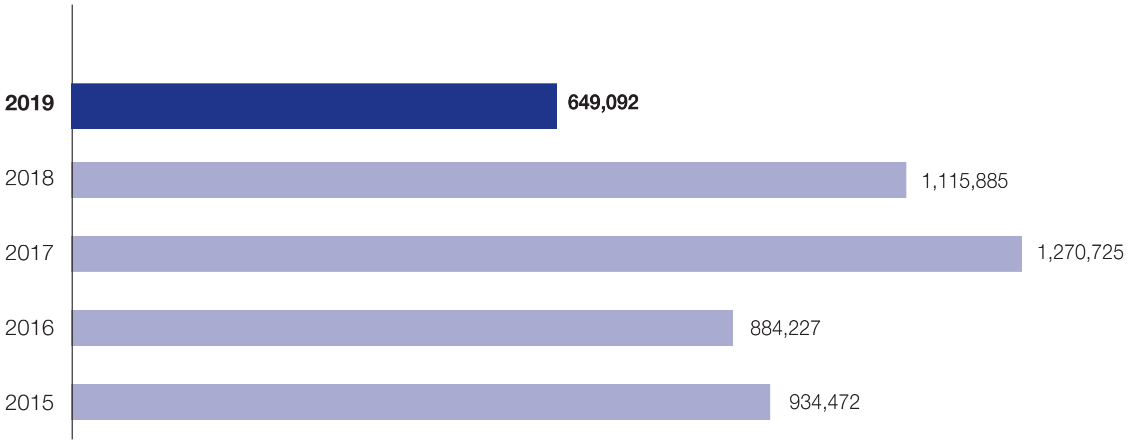


Gross Profit Margin (%)



Sales Breakdown by Business Segments

(RMB'000)



(RMB'000)	**2019**	2018	2017	2016	2015
Plastic injection and moulding	**356,006**	504,558	552,578	503,483	546,881
Assembling of electronic products	**250,503**	546,063	646,787	319,151	319,596
Mould design and fabrication	**42,583**	65,264	71,360	61,593	67,995

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 2019.

BUSINESS REVIEW

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

FINANCIAL HIGHLIGHTS

The Group's revenue for the financial year was RMB649.09 million as compared to RMB1,115.88 million in the previous financial year, representing a decrease of 41.83%. The Group's gross profit and gross profit margin decreased from RMB149.58 million to RMB28.34 million and from 13.40% to 4.37% respectively. Loss attributable to owners of the Company recorded at RMB122.16 million as compared to loss of RMB8.85 million in the previous financial year.

DIVIDENDS

The Board does not recommend any payment of dividend for the financial year ended 31 July 2019 (2018: Nil) at the forthcoming annual general meeting of the Company.

CORPORATE DEVELOPMENT

On 22 October 2018, V.S. Industry Holding Limited ("VSIHL"), Haivs Industry Qingdao Co., Ltd. ("Haivs"), and Qingdao GP Precison Mold Co., Ltd. ("QDGPM"), each being a wholly-owned subsidiary of the Company, entered into a supplemental conditional sale and purchase agreement with, among others, Ms. Li Zhi Yu, pursuant to which VSIHL, Haivs and QDGPM have agreed to sell the entire equity interest in Qingdao GP Electronics Plastics Co., Ltd. ("Qingdao GP") to Ms. Li Zhi Yu at a total cash consideration of RMB27.00 million. The transaction has been completed in November 2018.

FUTURE PROSPECTS AND CHALLENGES

The prolonged trade war and tariff negotiations between the United States (“US”) and China has created significant uncertainty in the business environment in China. The global economy is facing with (i) cautious and risk averting business environment; and (ii) potential relocation of the production facilities globally arising from the Sino-American trade war. At the moment, the management is unable to assess the impact of the uncertainties in the business environment to the Group’s operation. In order to minimise the impact of the trade war, the Group will focus on realignment its US-based sales to non-US-based sales. In addition, the Group has been streamlining its operation and formulating a stronger financial position with a light asset operation and lower geared structure and higher liquidity. By way of adopting a light assets and cost model, the Group should be able to improve its operational flexibility, strengthen and stabilise its financial position and minimise any adverse impact on the business operation.

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 continued to implement its strategies to focus on higher value-added products.

FINANCIAL REVIEW

Revenue, Gross Profit and Segment Results

During the financial year, the Group recorded a revenue of RMB649.09 million, representing a decrease of RMB466.79 million or 41.83% from RMB1,115.88 million in the previous year. The major contributor of the Group's revenue was plastic injection and moulding division which accounted for 54.85% (2018: 45.22%) of the Group's revenue, and the remaining from assembling of electronic products division and mould design and fabrication division which accounted for 38.59% (2018: 48.93%) and 6.56% (2018: 5.85%) of the Group's revenue respectively.

Gross profit decreased by RMB121.24 million and recorded at RMB28.34 million, representing 4.37% of its revenue during the financial year as compared to gross profit of RMB149.58 million, representing 13.40% of its revenue in the previous year.

Plastic Injection and Moulding

The Group recorded a revenue of RMB356.01 million for this segment as compared to RMB504.56 million for the corresponding financial year in 2018, representing a decrease of RMB148.55 million or 29.44%. The decrease was mainly due to the deconsolidation of financial results of Qingdao GS Electronics Plastic Co., Ltd. ("Qingdao GS") from January 2018 upon the disposal of 90% equity interest in Qingdao GS. The amount of revenue contribution of Qingdao GS to the Group for the year ended 31 July 2018 was about RMB120 million.

Assembling of Electronic Products

This segment recorded a revenue of RMB250.50 million, representing a decrease of RMB295.56 million or 54.13% from RMB546.06 million for the corresponding financial year in 2018. The significant drop in revenue was mainly due to the amount of orders placed by three existing customers declined by about RMB250 million for the year ended 31 July 2019 when compared to the year ended 31 July 2018.

Mould Design and Fabrication

The mould design and fabrication segment recorded a revenue of RMB42.58 million, representing a decrease of RMB22.68 million or 34.75% as compared to RMB65.26 million for the corresponding financial year in 2018.

Other (Losses)/Gains – Net

During the financial year, the Group recorded other net losses of RMB44.95 million as compared to net gains of RMB2.90 million for the corresponding financial year in 2018, which comprised mainly net gains on disposal of a subsidiary of RMB4.05 million, which were offset by an increase in provision of impairment of RMB36.49 million on property, plant and equipment, net loss on disposal of property, plant and equipment of RMB11.98 million and net foreign exchange losses of RMB0.53 million.

Distribution Costs

Distribution costs for the financial year amounted to RMB16.33 million, representing a decrease of RMB29.58 million or 64.43% from RMB45.91 million in the previous financial year. The decrease was mainly due to reclassification of shipping costs of RMB23.08 million from distribution costs to cost of sales during the financial year.

General and Administrative Expenses

General and administrative expenses amounted to RMB77.70 million for the financial year, representing a decrease of RMB19.88 million or 20.37% as compared to RMB97.58 million for the corresponding financial year in 2018. The decrease was primarily due to lower human resources expenses of RMB7.33 million arising from reduction in the number of employees, the decrease in equity settled share-based payment expenses of RMB4.34 million and research and development expenses of RMB8.43 million during the financial year.

Finance Costs – Net

The net finance costs for the year increased by 9.33% to RMB14.18 million (2018: RMB12.97 million). The increase was mainly due to higher interest rate during the financial year.

Share of Loss of an Associate

The Group's share of loss of an associate of RMB17.27 million during the financial year in 2018 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 2019, the Group had cash and cash equivalents and restricted bank balances of RMB138.34 million (2018: RMB154.18 million), of which RMB64.91 million (2018: RMB68.02 million) was pledged to banks for the facilities granted to the Group. 40.70%, 59.17% and 0.12% of cash and cash equivalents and restricted bank balances are denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HK$"), respectively.

As at 31 July 2019, the Group had outstanding interest-bearing borrowings including finance lease liabilities and loan from a director of RMB210.91 million (2018: RMB268.96 million). The total borrowings including finance lease liabilities and loan from a director were denominated in USD (23.03%), RMB (69.17%) and HK$ (7.80%), and the maturity profile is as follows:

Repayable	As at 31 July 2019		As at 31 July 2018	
	RMB million	%	RMB million	%
Within one year	**187.69**	**89.00**	258.40	96.07
After one year but within two years	**23.01**	**10.91**	10.56	3.93
After two years but within five years	**0.21**	**0.09**	–	–
Total borrowings including finance lease liabilities and loan from a director	**210.91**	**100.00**	268.96	100.00
Cash and cash equivalents and restricted bank balances	**(138.34)**		(154.18)	
Net borrowings including finance lease liabilities and loan from a director	**72.57**		114.78	

The total net interest-bearing borrowings including finance liabilities and loan from a director of the Group recorded at RMB72.57 million (2018: RMB114.78 million), representing 9.97% (2018: 11.34%) of total assets and 18.54% (2018: 22.49%) 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 and loan from a director less cash and cash equivalents and restricted bank balances. Total capital is calculated as total equity attributable to owners of the Company plus net borrowings including finance lease liabilities and loan from a director. The gearing ratio of the Group was 15.64% as at 31 July 2019 (2018: 18.36%).

As at 31 July 2019, the Group's net current assets were RMB13.09 million (2018: RMB18.38 million). As at 31 July 2019, the Group has undrawn bank facilities of RMB281.33 million for working capital purposes.

CAPITAL STRUCTURE

As at 31 July 2019, the Group's total equity attributable to owners of the Company was RMB391.34 million (2018: RMB510.29 million). Total assets of the Group amounted to RMB727.59 million (2018: RMB1,011.74 million), 53.62% (2018: 47.17%) of which comprised property, plant, equipment and land use rights.

CHARGES ON GROUP ASSETS

As at 31 July 2019, the Group's secured banking facilities, including trade finance, overdrafts and bank loans, totaling RMB437.72 million (2018: RMB309.86 million) were secured by (i) bank deposits of the Group of RMB64.91 million (2018: RMB68.02 million); (ii) the building of the Group, net book value of which amounted to RMB168.45 million (2018: RMB173.50 million); (iii) plant and machinery of the Group, net book value of which amounted to RMB11.30 million (2018: RMB17.99 million); and (iv) land use rights of the Group, net book value of which amounted to RMB13.35 million (2018: RMB13.75 million).

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

During the financial year, the Group disposed of its entire equity interest in Qingdao GP to an independent third party at a total cash consideration of RMB27.00 million. Qingdao GP was principally engaged in the provision of manufacturing and selling of plastic molded products and parts in the PRC and became dormant since 2015. Qingdao GP ceased to be a subsidiary of the Company upon completion of the disposal. Please refer to the announcements of the Company dated 19 July 2018 and 22 October 2018 for more details.

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

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 2019.

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 RMB0.53 million (2018: net gains of RMB2.98 million) mainly due to fluctuation of USD against RMB.

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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2019, the Group had a total of 1,706 employees (2018: 2,688). 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 RMB161.02 million (2018: RMB217.35 million). The decrease in human resources expenses was mainly due to the decrease in the number of employees during the financial year. The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resources market and the general outlook of the economy. The Group's employees are rewarded in tandem with their performance and experience. The Group recognises that the improvement of employees' technical knowledge, welfare and wellbeing is essential to attract and retain quality and dedicated employees in support of future growth of the Group.

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

As a publicly listed entity, the Group has adopted a share option scheme to provide incentives to eligible directors and employees to participate in the Group's success.

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

There were no other significant events affecting the Company nor any of its subsidiaries after the reporting date as at 31 July 2019 requiring disclosure in this Annual Report.

Environmental, Social and Governance (ESG) Report

ABOUT THIS REPORT

This Report provides an overview of the Group's Environmental, Social and Governance ("ESG") performance during the financial year ended 31 July 2019.

The scope of this report covers the Group's key business operations in Hong Kong and Zhuhai. This includes 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. Thus, the report provides an overview of our ESG management approach, related initiatives and environmental performance indicators during the period of 1 August 2018 to 31 July 2019.

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, surveys and workshops. 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

The Group is committed to operating its businesses in an environmentally responsible way through minimising 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 waste generated from the manufacturing processes such as organic solvents are transferred by licensed 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 alternatives, renewable sources and promoting energy conservation.

The Group periodically appoints an 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 – i.e. solar energy. During the reporting period, the solar panels generated over 7,688,138 kWh of electricity, of which 5,938,418 kWh was consumed in the Group's production process. The remaining 1,749,720 kWh of electricity was sold to the local power grid. Currently, solar energy provides about 17% 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 their work stations to remind staff to save energy. Energy saving has also been one of the prioritised discussion items on the Group's senior management's meeting agenda.

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.

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. The Environmental Management System ISO14001:2015 accreditation is in place to help the Group to mitigate its environmental footprint and integrate sustainable practices in everything.

In addition, 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 spillage of chemicals into the environment. Emergency planning and drills are performed to enhance employees' awareness of chemical management and business resilience.

As a responsible corporate citizen, the Group proactively monitors the production and procurement process to minimise adverse impacts to the environment. For example, an independent team has been appointed for advancing green production and establishing an environmental quality assurance system. In particular, our quality assurance team performs routine sample testing to prevent the use of restricted materials in production. The Group also reviews material safety report submitted by the suppliers to ensure restricted materials have not been applied.

ENVIRONMENTAL PERFORMANCE DATA TABLE

Environmental KPIs	Unit	2017/18	2018/19
Nitrogen oxides (NO_x) emissions	Kg	2,734	2,842
Sulphur oxides (SO_x) emissions	Kg	2	4
Particulate Matter (PM) emissions	Kg	202	226
Total greenhouse gas (GHG) emissions	Tonne CO_2e	28,421	23,176
Scope 1 – Direct emissions and removals	Tonne CO_2e	308	988
Scope 2 – Energy indirect emissions	Tonne CO_2e	28,113	22,188
Total hazardous waste	Tonne	8	5
Total non-hazardous waste produced	Tonne	363	229
Total energy consumption	kWh	39,531,843	38,116,958
Total direct energy consumption	kWh	1,186,270	2,751,311
Gasoline/Petrol	kWh	407,094	205,534
Diesel	kWh	779,176	2,545,777
Total direct energy consumption intensity			
By revenue	kWh/Revenue RMB'000	1.06	4.24
Total indirect energy consumption	kWh	38,345,573	35,365,647
Purchased electricity	kWh	38,345,573	35,365,647
Total indirect energy consumption intensity			
By revenue	kWh/Revenue RMB'000	34.36	54.49
Water consumption	m^3	531,677	517,717
Water consumption intensity			
By revenue	m^3/Revenue RMB'000	0.48	0.80
Total packing material	Tonne	28,689	9,048
Total packing material intensity			
By revenue	Tonne/Revenue RMB'000	0.03	0.01

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 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. 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. During the reporting period, the Group has also organised various recreational activities, such as a monthly birthday celebration, spring festival dinner and basketball competitions to promote a work-life-balance culture within the organisation.

As a business that highly depends on people, the Group is committed to embracing diversity as well as providing equal opportunity and a collaborative workplace. The Group strictly enforces anti-discrimination policy and has zero tolerance for harassment in any form. All 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 400 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. For example, the Group has proactively invested in automating the production process at the Group's facility in order to reduce manual workload and hence reduce associated safety risks.

Our occupational health and safety procedures provide employees with methodologies and tools to effectively identify hazards and assess the associated risks. A Safety Committee has also been established to handle work injury cases, monitor the maintenance of fire equipment as well as organise regular fire safety training. Our extensive safety training programmes equip our employees with the adequate awareness and knowledge to carry out their jobs safely. All-rounded health and safety initiatives have been running effectively which has 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 crucial 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. For example, a plastic moulding technician assessment scheme was launched to provide tailor-made evaluation for assessing and developing plastic moulding technicians. Furthermore, 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.

In order to continually improve our training programmes, we regularly review the adequacy and quality of our training resources. Feedback is solicited from participants to enhance training quality.

Labour Standards

Employment of child, forced or compulsory labour is strictly prohibited in any of the Group's operations, and the Group's suppliers are expected to conform to the same standards. The Group extends its responsibilities 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.

OPERATING PRACTICES

Supply Chain Management

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

The Group's supplier evaluation and selection procedure manual standardises requirements on supplier selection, evaluation and management. Suppliers' ESG performance is an important consideration factor in our selection process. The assessment results are 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 the requirements of the Group and does not undertake effective and timely remedial actions, the Group may cease to source products or services from the 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 which 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. During the year, the process of manufacturing has been assessed and certified by an independent third party.

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 require 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 to authorised personnel only.

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 in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of The Laws of Hong Kong), the Corporate Finance Consultant Code of Conduct and other relevant local laws.

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. During the financial year, we were not aware of any litigation arising out of the violation of laws or regulations against corruption, bribery, fraud, and money laundering, such as Law of the PRC on Anti-money Laundering (中華人民共和國反洗錢法) and the Prevention of Bribery Ordinance (Chapter 201 of The Laws of Hong Kong).

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 leverages 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 families living in poverty.

The Group encourages its employees to actively participate in various community services. During the year, the Group continued to collaborate with Hong Kong Zhuhai Commerce Association and Zhuhai Red Cross 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

We observe closely the laws and regulations relevant to our businesses and make full efforts in meeting regulatory compliance. Regulatory frameworks within which the Group operates are analysed and monitored, while internal policies are prepared and updated accordingly. Tailor-made workshops are also conducted where necessary so as to strengthen the awareness and understanding of the Group's internal controls and compliance procedures.

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

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. BEH Kim Ling, aged 61, 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 63, 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 65, 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 81, 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 33, was appointed as an alternate Director to Madam Gan Chu Cheng on 21 March 2015 and redesignated from an alternate 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 and is currently an alternate director to Mr. Gan Tiong Sia of VS Berhad, holding company of the Company which is listed on the Main Market of Bursa Malaysia.

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 59, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. DIONG Tai Pew, aged 68, 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 40 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, an accounting and consulting group in Singapore and Malaysia. Mr. Diong is a senior independent non-executive director and the chairman of the audit committee of SIG Gases Berhad, a company listed on the Main Market of Bursa Malaysia. He also served as the lead independent non-executive director of Hengyang Petrochemical Logistics Limited, a company listed on the Catalist of the Singapore Exchange.

Mr. Diong is currently an independent non-executive director and the chairman of the Audit and Risks Management Committee of VS Berhad, holding company of the Company which is listed on the Main Market of Bursa Malaysia.

Mr. TANG Sim Cheow, aged 60, 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 49, 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 51, 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. CHONG Chin Siong, aged 52, 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 20 years experience in internal audit, corporate finance and financial management in a number of public listed companies in Malaysia.

Mr. SOH Cheah Tuck, aged 48, 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.

Mr. LOW Hang Vow, aged 46, is the operation finance controller of the Group. Mr. Low graduated from University of Malaya with a Bachelor of Accounting in year 1998. Mr. Low has gained more than 15 years experiences in relation to accounts, finance and taxation in Malaysia and the PRC.

Mr. LIEW San Kim, aged 56, is the supply chain director of V.S. Technology Industry Park (Zhuhai) Co., Ltd.. Mr. Liew graduated from Federal Institute of Technology with Diploma in electronics. Mr. Liew joined the Group in 2005 as a Quality Manager and was promoted to the present position in 2011.

Ms. ZHANG Ge, aged 49, is the human resources and administrative director of V.S. Technology Industry Park (Zhuhai) Co., Ltd. and V.S. Industry (Zhuhai) Co., Ltd.. Ms. Zhang joined the Group in May 2004 and was promoted to current position in September 2011. Prior to joining the Group, Ms. Zhang served in large state-owned enterprises in the PRC. Ms. Zhang graduated from university and has gained more than 20 years experiences in relation to finance, human resources and administrative management in the PRC.

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 of the Company (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 the following provision.

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 2019.

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 2019, the Board has convened four meetings at which, among other things, the following activities were conducted:

(1) approved the annual report for the financial year ended 31 July 2018 and matters to be considered at the 2018 annual general meeting;

(2) reviewed and approved corporate strategies of the Group for the financial year ending 31 July 2020;

(3) approved the interim results for the six months ended 31 January 2019;

(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 2018 and for the nine months ended 30 April 2019 respectively; and

(5) approved continuing connected transactions and connected transaction 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.

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 2019 are as follows:

	Attendance
Executive Directors	
Mr. Beh Kim Ling *(chairman)*	4/4
Mr. Gan Sem Yam	4/4
Madam Gan Chu Cheng	4/4
Mr. Zhang Pei Yu	4/4
Mr. Beh Chern Wei	4/4
Non-executive Director	
Mr. Gan Tiong Sia	4/4
Independent non-executive Directors	
Mr. Diong Tai Pew	4/4
Mr. Tang Sim Cheow	4/4
Ms. Fu Xiao Nan	3/4

Whilst the Board as a whole is to determine the corporate strategies and overall strategic 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 2019, are as follows:

	Attendance
Executive Directors	
Mr. Beh Kim Ling *(chairman)*	0/1
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	1/1

Details of the Directors' attendance of the extraordinary general meeting of the Company, being the only extraordinary meeting held during the financial year ended 31 July 2019, are as follows:

	Attendance
Executive Directors	
Mr. Beh Kim Ling *(chairman)*	1/1
Mr. Gan Sem Yam	0/1
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	0/1
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 2019, 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 the Corporate Liability and Whistleblower Protection Act 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 and Mr. Diong Tai Pew attended such training session. Ms. Fu Xiao Nan attended other professional training session separately.

NOMINATION COMMITTEE

The nomination committee of the Company ("Nomination Committee") currently consists of three members, comprising two independent non-executive Directors, namely Mr. Diong Tai Pew (appointed as chairman on 1 May 2019) and Mr. Tang Sim Cheow (ceased to be chairman on 1 May 2019), 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:

(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.

The Board has also adopted a nomination policy ("Nomination Policy") during the financial year ended 31 July 2019. A summary of the Nomination Policy is disclosed below:

1. Objective
   The nomination policy aims to set out the relevant selection criteria and nomination procedures to help the nomination committee and the Board to ensure that the Board has a balance of skills, experience and diversity of perspective appropriate to the requirement of the Group's businesses.

2. Selection criteria
   The selection criteria specified in the Nomination Policy include:

   – commitment of available time and ability to devote sufficient time and attention to the affairs of the Company;
   – reputation for integrity;
   – accomplishment and experience in the relevant industry(ies);
   – effectiveness in carrying out the responsibilities of the Board; and
   – diversity in all its aspects as set out in the board diversity policy of the Company.

   These factors are for reference only, and not meant to be exhaustive and decisive. The nomination committee has the discretion to nominate any person, as it considers appropriate.

3. Nomination procedures

(i) For filling a casual vacancy, the nomination committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.

(ii) Until the publication of circular to the Shareholders, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

(iii) In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from the Shareholders, a circular will be sent to the Shareholders. The circular will set out the lodgment period for the Shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to the Shareholders.

(iv) A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

4. Review of the Nomination Policy

The nomination committee of the Board will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The nomination committee of the Board will discuss any revisions that may be required.

During the financial year ended 31 July 2019, 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 2019 are as follows:

	Attendance
Mr. Diong Tai Pew (appointed as chairman on 1 May 2019)	1/1
Mr. Tang Sim Cheow (ceased to be chairman on 1 May 2019)	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. Tang Sim Cheow (appointed as a member on 1 May 2019), 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 2019, 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 2018.

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 2019 is set out below:

Remuneration band (HK$)	Number of individuals
Nil to 1,000,000	4
1,000,001 – 1,500,000	1
1,500,001 – 2,000,000	–
2,000,001 – 2,500,000	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 12 and 13 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 2019 are as follows:

	Attendance
Ms. Fu Xiao Nan *(chairman)*	1/1
Mr. Diong Tai Pew (ceased to be a member on 1 May 2019)	1/1
Mr. Tang Sim Chow (appointed as a member on 1 May 2019)	–
Mr. Beh Kim Ling	0/1

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") currently comprises three independent non-executive Directors, namely Mr. Tang Sim Cheow (appointed as chairman since 1 May 2019), Mr. Diong Tai Pew (ceased to be chairman on 1 May 2019) and Ms. Fu Xiao Nan. It was established by the Board with effect from 20 January 2002 and its duties are clearly defined in its terms of reference which have been prepared and adopted according to the Code Provisions.

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

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

(1) reviewed the first and third quarterly results of the Company;

(2) reviewed the interim and annual report of the Company;

(3) reviewed the report of internal audit department, internal controls system and financial matters of the Group in pursuance of the terms of reference;

(4) reviewed the audit findings of the external auditors of the Company;

(5) made recommendation to the Board on the re-appointment of the external auditors; and

(6) reviewed all ongoing continuing connected transactions and connected transaction of the Group.

Details of attendance of each member of the Audit Committee during the financial year ended 31 July 2019 are as follows:

	Attendance
Mr. Tang Sim Cheow (appointed as chairman on 1 May 2019)	4/4
Mr. Diong Tai Pew (ceased to be chairman on 1 May 2019)	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 2019, 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 2019	1,495,000
Audit fee for the statutory audit of the financial statements of the Company's subsidiaries in the PRC for the year ended 31 December 2018	248,000
Non-audit services	
Fee for tax consultancy services of the Company's subsidiaries in the PRC and other non-audit services	243,000
	1,986,000

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 2019, 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 60 to 64 of this Annual 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 2019.

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 2019, 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. Her primary contact person of the Company is Mr. Beh Kim Ling, the chairman 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 2019.

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:	(852) 2511 9002
Fax:	(852) 2511 9880
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 2019.

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 2019.

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 2019 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	29%	–
Five largest customers in aggregate	78%	–
The largest supplier	–	30%
Five largest suppliers in aggregate	–	48%

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 2019 and the state of the Group's affairs as at 31 July 2019 are set out in the consolidated financial statements of the Group on pages 65 to 146 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 2019 (2018: Nil).

The Board adopted a dividend policy ("Dividend Policy") during the financial year ended 31 July 2019. A summary of the Dividend Policy is disclosed as below.

The Board takes into account the following factors when considering the declaration and payment of dividends:

– the requirements of the Company's constitutional documents;
– the solvency requirements of the Companies Law of the Cayman Islands;
– there being sufficient amount of retained profits and share premium of the Company for the dividend payment;
– any financial covenants and other restrictions that exist with respect to certain of the Company's financing arrangements and other agreements by which the Company is bound from time to time;
– the earnings, financial position, results of operation, expansion plans, working capital requirements, and anticipated cash needs of the Company and its subsidiaries;
– the payment by subsidiaries of cash dividends to the Company; and
– other factors which the Board may deem appropriate.

The form and frequency of dividend declaration and payment shall be at the sole and absolute discretion of the Board. The Board will review the Dividend Policy, as appropriate, to ensure the compliance of the Dividend Policy and discuss and approve any revision as and when appropriate.

CHARITABLE DONATIONS

There were no charitable and other donations made by the Group during the financial year (2018: Nil).

FIXED ASSETS

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in note 30 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 31 to the consolidated financial statements of the Group.

DISTRIBUTABLE RESERVES

As at 31 July 2019, 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 RMB244,267,000 (2018: RMB241,732,000). 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. Beh Kim Ling, Mr. Zhang Pei Yu and Mr. Gan Tiong Sia 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 2019, 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	148,452,532 Shares (L)	6.43%
	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	147,400,993 ordinary shares (L) (Note 3)	8.09%

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

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Gan Sem Yam	The Company	Beneficial owner	44,671,395 Shares (L)	1.94%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK$1 each (L)	Nominal
	VS Berhad	Beneficial owner	85,178,377 ordinary shares (L)	4.68%
Gan Chu Cheng	The Company	Beneficial owner	30,335,880 Shares (L)	1.31%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK$1 each (L)	Nominal
	VS Berhad	Beneficial owner	129,232,125 ordinary shares (L)	7.10%
Zhang Pei Yu	The Company	Beneficial owner	2,000 Shares (L)	0.00%

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	27,000,000 Shares (L)	1.17%
	VS Berhad	Beneficial owner	21,250,000 ordinary shares (L) (Note 4)	1.17%
Gan Tiong Sia	The Company	Beneficial owner	17,215,074 Shares (L)	0.75%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	VS Berhad	Beneficial owner	33,273,037 ordinary shares (L)	1.83%
Diong Tai Pew	The Company	Beneficial owner	1,766,411 Shares (L)	0.08%
	VS Berhad	Beneficial owner	100,000 ordinary shares (L)	0.01%
Tang Sim Cheow	The Company	Beneficial owner	639,130 Shares (L)	0.03%

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. 3,187,500 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 RM0.56 per share during a period of 5 years from 12 May 2015.

4. 250,000 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 RM0.56 per share during a period of 5 years from 12 May 2015.

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 2019 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 34 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 2019, the following entity, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	**Number of Shares** (Note)	**Nature of interest/capacity**	**Approximate percentage of Interest**
VS Berhad	1,000,109,963 (L)	Beneficial owner	43.34%

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

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Apart from the related party transaction between the Company and VS Berhad as disclosed in note 34 to the consolidated financial statements of the Group and in the sub-section headed "Connected Transactions and Related Party Transactions" on pages 53 to 57 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 2019.

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 three years. Details of the Share Option Scheme are set out in note 28 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 230,751,336, which represent approximately 10.00% 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.

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 2019:

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK$	Weighted average closing price on the date immediately before the exercise date HK$	Outstanding at 1 August 2018	Exercised during the period	Granted during the period	Adjusted during the period	Lapsed/ cancelled during the period	Outstanding at 31 July 2019
Directors										
Beh Kim Ling	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,753,759	–	–	–	7,753,759	–
		1 March 2018 to 28 February 2019	0.310	N/A	7,753,759	–	–	–	7,753,759	–
Gan Sem Yam	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,753,759	–	–	–	7,753,759	–
		1 March 2018 to 28 February 2019	0.310	N/A	7,753,759	–	–	–	7,753,759	–
Gan Chu Cheng	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,753,759	–	–	–	7,753,759	–
		1 March 2018 to 28 February 2019	0.310	N/A	7,753,759	–	–	–	7,753,759	–
Zhang Pei Yu	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,753,759	–	–	–	7,753,759	–
		1 March 2018 to 28 February 2019	0.310	N/A	7,753,759	–	–	–	7,753,759	–
Beh Chern Wei	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,753,759	–	–	–	7,753,759	–
		1 March 2018 to 28 February 2019	0.310	N/A	7,753,759	–	–	–	7,753,759	–

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK$	Weighted average closing price on the date immediately before the exercise date HK$	Outstanding at 1 August 2018	Exercised during the period	Granted during the period	Adjusted during the period	Lapsed/ cancelled during the period	Outstanding at 31 July 2019
Gan Tiong Sia	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	3,887,218	–	–	–	3,887,218	–
		1 March 2018 to 28 February 2019	0.310	N/A	3,887,218	–	–	–	3,887,218	–
Diong Tai Pew	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	781,579	–	–	–	781,579	–
		1 March 2018 to 28 February 2019	0.310	N/A	781,579	–	–	–	781,579	–
Tang Sim Cheow	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	781,579	–	–	–	781,579	–
		1 March 2018 to 28 February 2019	0.310	N/A	781,579	–	–	–	781,579	–
Fu Xiao Nan	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	781,579	–	–	–	781,579	–
		1 March 2018 to 28 February 2019	0.310	N/A	781,579	–	–	–	781,579	–
					90,001,500	–	–	–	90,001,500	–
Other employees (Note 2)	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	35,544,308	–	–	–	35,544,308	–
		1 March 2018 to 28 February 2019	0.310	N/A	43,032,308	–	–	–	43,032,308	–
					78,576,616	–	–	–	78,576,616	–
					168,578,116	–	–	–	168,578,116	–

SHARE OPTION SCHEME (CONTINUED)

Notes:

1. 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, 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. The exercise price of share options was being adjusted to HK$0.310 pursuant to rights issue.

2. Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Cap.57 of the Laws of Hong Kong).

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 2019.

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 2019 are set out in note 34 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 2019, 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 13 September 2017, 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 Lease 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 2017. 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.

Pursuant to the New Lease Agreement, the rent and management fee the monthly rent and management fee of RMB679,658 (equivalent to approximately HK$809,117) 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 RMB8,155,896 for each of the three years financial years ending 31 July 2020. The annual expected cap amount of rent and management fee payable is RMB8,155,896 for each of the three years ending 31 July 2020.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Continuing connected transactions with V.S. (Zhuhai) Management Co., Ltd. ("VS Management") (Continued)

On 1 February 2019, VS Zhuhai, VSI (Zhuhai) and VSA (Zhuhai) (as tenants) and VS Management (as landlord) entered into a supplemental agreement (the "Supplemental Agreement") to amend certain terms of the New Lease Agreement. Pursuant to the Supplemental Agreement, the monthly rent per sq.m. remains to be RMB20 (equivalent to approximately HK$22.99). However, starting from 1 February 2019, no management fee will be charged. The aggregate monthly rent is reduced to RMB409,088 (equivalent to approximately HK$470,216) for the rest of the tenancy period. Taking into account the amended terms under the Supplemental Agreement which will take effect from 1 February 2019, the annual expected cap amounts of rent and/or management fee payable will be revised to RMB6,532,476 (equivalent to approximately HK$7,508,593) and RMB4,909,056 (equivalent to approximately HK$5,642,593) for the two years ending 31 July 2020, respectively.

The amount of rent and management fee actually paid by the Tenants to VS Management for the year ended 31 July 2019 was RMB6,532,476 (equivalent to approximately HK$7,508,593).

Each of VS Zhuhai, VSI (Zhuhai) and VSAZH is a wholly-owned subsidiary of the Company. As at the date of this Annual Report, the entire issued share capital of VS Management was owned by Mr. Beh Kim Ling ("Mr. Beh"), an executive Director. To the best knowledge of the Directors, Mr. Beh Kim Ling has entered into a sale and purchase agreement (the "S&P Agreement") to dispose of his entire equity interest in VS Management to a third party independent from the Company and its connected persons. As at the date of this report, although the entire issued share capital of VS Management is registered in the name of such independent third party, given the S&P Agreement has not been completed, VS Management was still beneficially wholly owned by Mr. Beh. Accordingly, VS Management is an associate of Mr. Beh and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules and the tenancy arrangements as contemplated under the New Lease Agreement (as amended by the Supplemental Agreement) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Details of the above-mentioned continuing connected transactions were set out in the Company's announcements dated 13 September 2017 and 1 February 2019.

(ii) Continuing connected transactions with Zhuhai Xinke Polymer Material Co., Ltd. ("Zhuhai Xinke")

On 28 November 2018, VS Zhuhai and VSI (Zhuhai) entered into a master processing agreement ("Xinke Master Processing Agreement") with Zhuhai Xinke. Pursuant to the Xinke Master Processing Agreement, VS Zhuhai and VSI (Zhuhai) agreed to engage Zhuhai Xinke 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 Xinke Master Processing Agreement commencing from 1 August 2018 and ending on 31 July 2021. The expected annual capped amounts for the fees payable to Zhuhai Xinke under the Xinke Mater Processing Agreement for each the three years ending 31 July 2021 are HK$9,800,000. The actual amount of fees paid from the Group to Zhuhai Xinke pursuant to the Xinke Master Processing Agreement for the year ended 31 July 2019 was RMB5,302,000 (equivalent to approximately HK$6,082,000).

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

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Continuing connected transactions with Zhuhai Xinke Polymer Material Co., Ltd. ("Zhuhai Xinke") (Continued)

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 Xinke 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 Xinke for the provision of processing services.

Zhuhai Xinke is wholly-owned by BKH International Co., Limited, which is a company incorporated in Hong Kong and is wholly-owned by Mr. K.H. Beh. Mr. K.H. Beh is the brother of Mr. Beh, an executive Director. Mr. Beh does not have any direct or indirect interest in Zhuhai Xinke and cannot control the composition of a majority of the board of directors of Zhuhai Xinke. Save as mentioned above, Mr. Beh does not have any other relationship with Zhuhai Xinke. 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 Xinke Master Processing Agreement, Zhuhai Xinke is deemed to be a connected person of the Company under the Listing Rules by the Stock Exchange. Accordingly, the transactions pursuant to the Xinke Master Processing Agreement are deemed to be continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Details of the Xinke Master Processing Agreement were set out in the Company's announcement dated 28 November 2018.

(iii) Continuing connected transactions with VS Berhad

On 18 January 2019, 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 18 January 2019 and ending on 31 July 2021 in relation to the supply of the Products from the Group to the VS Berhad Group. The expected annual capped amount of sales of the Products from the Group to the VS Berhad Group pursuant to the New Master Supply Agreement is HK$9,800,000 for each of the three years ending 31 July 2021. The actual amaunt 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 2019 was RMB7,236,000 (equivalent to approximately HK$8,300,000).

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.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Continuing connected transactions with V.S. Industry Berhad (Continued)

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 announcements of the Company dated 18 January 2019 and 24 January 2019.

(iv) Connected transaction with VS Berhad

On 22 November 2018, VSAZH, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Agreement") with VS Berhad, pursuant to which VSAZH has agreed to sell, and VS Berhad has agreed to purchase certain machineries used for the manufacturing of relevant electronic products, parts and components at the consideration of US$1,267,610.13 (equivalent to approximately HK$9,911,000).

As VS Berhad is a substantial shareholder of the Company, VS Berhad is a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules and the transaction under the Agreement therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Details of the above-mentioned connected transaction were set out in the Company's announcement dated 22 November 2018.

The Board, including the independent non-executive Directors, has reviewed and confirmed that each of the continuing connected transactions and connected transaction set out in paragraphs (i) to (iv) 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.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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 and connected transaction set out above.

The auditors of the Company also confirmed that the continuing connected transactions and connected transaction set out in paragraphs (i) to (iv) 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 and connected transaction during the financial year ended 31 July 2019 had not exceeded the cap disclosed in the respective announcements and/or circulars.

Save as disclosed above and in this Annual Report, 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.

NON-COMPETITION UNDERTAKINGS

In order to delineate the businesses of VS Berhad and its subsidiaries ("Berhad Group") and those of the Group clearly and to regulate their respective activities with their customers, VS Berhad and the Company has given each other certain non-compete undertakings under a territorial delineation agreement ("Territorial Agreement") dated 20 January 2002, particulars of which are set out under "Relationship with the Group" in the section headed "Information on VS Berhad" in the Company's prospectus dated 28 January 2002.

On 1 June 2018, the Company and VS Berhad entered into a supplemental agreement ("Supplemental Territorial Agreement") to amend the Territorial Agreement, particulars of which are set out in the announcement of the Company dated 1 June 2018 and the circular of the Company dated 16 July 2018.

The Supplemental Territorial Agreement was approved by independent Shareholders and became effective on 3 August 2018. The independent non-executive Directors have reviewed the compliance of the terms of the Territorial Agreement and considered that each of the Company and VS Berhad has complied with the Territorial Agreement and the enforcement of the undertakings contained therein by the parties thereto for the financial year ended 31 July 2019.

NON-COMPETITION UNDERTAKINGS (CONTINUED)

For the financial year ended 31 July 2019, (i) there is no opportunity identified by the Group in Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam that has been taken up by the Group pursuant to the mechanisms as stated in the Supplemental Territorial Agreement; and (ii) there is no opportunity identified by the VS Berhad and its subsidiaries (other than the Group) (collectively, the "Berhad Group") in Hong Kong, Taiwan and the PRC that has been referred to the Group, and that the Berhad Group is allowed to take up pursuant to the mechanisms as stated in the Supplemental Territorial Agreement.

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 2019, 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 2019 are set out in note 26 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 2019 is set out in note 9 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 150 of this report.

PROPERTY

Particulars of the major properties and property interests of the Group are shown on page 149 of this report.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 11 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 34 of this report.

The Audit Committee has reviewed the Group's financial statements for the year ended 31 July 2019 and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his/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 2019.

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
Johor Bahru, Malaysia
25 September 2019

Independent Auditor's Report

pwc

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 65 to 146, which comprise:

- the consolidated statement of financial position as at 31 July 2019;
- 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 2019, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 provision for inventories.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories Refer to note 2.11, note 4(b) and note 20 "Inventories" to the consolidated financial statements. At 31 July 2019, the Group held inventories of RMB71,061,000 and the provision for obsolete or slow moving inventories was RMB21,811,000. Inventories are stated at the lower of cost and net realisable value in the consolidated financial statements. Management assesses the provision for obsolete or slow moving inventories at each period end based on their consideration of obsolescence and the net realisable value of inventories. The determination of estimated selling price less cost to sell requires the use of significant judgement and estimates, including consideration of condition of products, latest selling price and expectation of future sales orders. We focused on this area due to the significance of the balance, significant management judgement and estimates involved in determining the provision for obsolete or slow moving inventories.	Our key procedures in relation to management's assessment of the provision for obsolete or slow moving inventory included: – Performed understanding of the key control procedures performed by management in estimating the net realisable value of the inventories and conducting periodic reviews on inventory obsolescence; – Tested on a sample basis, the net realisable value of selected inventory items, by comparing the carrying amount of the inventory items against their selling price subsequent to the year end or closest to year end; – Tested on a sample basis, the accuracy of the ageing profile of individual inventory items by checking to the underlying procurement correspondence and invoices; and – Tested on a sample basis, long aged inventory for subsequent sales or usage after year end and reperforming the calculation for the provision.

Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)
	In addition, we discussed with management regarding the latest sales pattern in relation to price and quantity for potential orders. We found that management's assessment of the provision for obsolete or slow moving inventories was supported by available audit 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.

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 judgement 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, 25 September 2019

Consolidated Income Statement

For the year ended 31 July 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	5	**649,092**	1,115,885
Cost of sales		**(620,750)**	(966,302)
Gross profit		**28,342**	149,583
Other income	6	**3,207**	8,716
Other (losses)/gains – net	6	**(44,945)**	2,901
Distribution costs		**(16,327)**	(45,907)
General and administrative expenses		**(77,704)**	(97,576)
Operating (loss)/profit	8	**(107,427)**	17,717
Finance income		**1,621**	881
Finance costs		**(15,802)**	(13,847)
Finance costs – net	9	**(14,181)**	(12,966)
Share of loss of an associate	19	**–**	(17,274)
Loss before income tax		**(121,608)**	(12,523)
Income tax (expense)/credit	10	**(554)**	3,672
Loss for the year attributable to owners of the Company		**(122,162)**	(8,851)

	Note	2019 RMB cent	2018 RMB cent
Loss per share attributable to owners of the Company during the year			
Basic and diluted	14	**(5.29)**	(0.39)

The notes on pages 71 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2019

	Note	2019 RMB'000	2018 RMB'000
Loss for the year		**(122,162)**	(8,851)
Other comprehensive loss for the year			
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on financial asset at fair value through other comprehensive income	16	**(3,298)**	–
Total comprehensive loss for the year and attributable to owners of the Company		**(125,460)**	(8,851)

The notes on pages 71 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 July 2019

	Note	As at 31 July 2019 RMB'000	As at 31 July 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**376,815**	463,488
Land use rights	15	**13,348**	13,751
Interest in an associate	19	**–**	–
Prepayments	22	**7,813**	18,349
Available-for-sale investment	16	**–**	8,198
Financial asset at fair value through other comprehensive income	16	**4,900**	–
Deferred income tax assets	29	**314**	466
		403,190	504,252
Current assets			
Inventories	20	**49,250**	115,881
Contract assets	21	**5,205**	–
Trade and other receivables, deposits and prepayments	22	**128,925**	205,210
Amounts due from related parties	34	**2,682**	9,550
Restricted bank balances	23	**66,582**	68,024
Cash and cash equivalents	24	**71,758**	86,159
		324,402	484,824
Assets classified as held-for-sale	17	**–**	22,664
Total assets		**727,592**	1,011,740
EQUITY			
Capital and reserves			
Share capital	30	**105,013**	105,013
Share premium	30	**306,364**	306,364
Other (deficit)/reserves	31	**(20,039)**	98,911
Total equity attributable to owners of the Company		**391,338**	510,288

Consolidated Statement of Financial Position

At 31 July 2019

	Note	As at 31 July 2019 RMB'000	As at 31 July 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Loan from a director	34	**17,245**	–
Borrowings	26	**–**	5,880
Finance lease liabilities	27	**5,974**	4,683
Deferred income tax liabilities	29	**1,721**	1,782
		24,940	12,345
Current liabilities			
Trade and other payables	25	**121,234**	227,455
Amounts due to related parties	34	**1,913**	1,433
Borrowings	26	**176,393**	252,369
Finance lease liabilities	27	**11,300**	6,031
Tax payables		**474**	1,819
		311,314	489,107
Total liabilities		**336,254**	501,452
Total equity and liabilities		**727,592**	1,011,740

The consolidated financial statements on pages 65 to 146 were approved by the Board and Directors on 25 September 2019 and were signed on its behalf.

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

The notes on pages 71 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 July 2019

	Note	**Share capital** RMB'000 (note 30)	**Share premium** RMB'000 (note 30)	**Other (deficit)/ reserves** RMB'000 (note 31)	**Total equity** RMB'000
Balance at 1 August 2017		85,311	236,590	104,306	426,207
Comprehensive loss					
Loss for the year		–	–	(8,851)	(8,851)
Total comprehensive loss		–	–	(8,851)	(8,851)
Issuance of shares upon exercising of share options	30	331	2,608	(886)	2,053
Issuance of shares from rights issue	30	19,371	67,166	–	86,537
Fair value of employee services under the share options scheme	28	–	–	4,342	4,342
Total transactions with owners, recognised directly in equity		19,702	69,774	3,456	92,932
Balance at 31 July 2018		105,013	306,364	98,911	510,288
Balance at 1 August 2018		**105,013**	**306,364**	**98,911**	**510,288**
Adjustment on adoption of HKFRS 15 (note 2.2)		**–**	**–**	**6,510**	**6,510**
Restated balance as at 1 August 2018		**105,013**	**306,364**	**105,421**	**516,798**
Comprehensive loss					
Loss for the year		**–**	**–**	**(122,162)**	**(122,162)**
Other comprehensive loss					
Change in value on financial asset at fair value through other comprehensive income	16	**–**	**–**	**(3,298)**	**(3,298)**
Total comprehensive loss		**–**	**–**	**(125,460)**	**(125,460)**
Balance at 31 July 2019		**105,013**	**306,364**	**(20,039)**	**391,338**

The notes on pages 71 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 July 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	35(a)	**46,386**	(842)
Income tax paid		**(1,808)**	(865)
Net cash generated from/(used in) operating activities		**44,578**	(1,707)
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment		**(6,356)**	(91,434)
Proceeds from sale of property, plant and equipment	35(b)	**8,901**	1,720
Net proceeds on disposal of a subsidiary	7	**26,716**	64,363
Interest received		**1,621**	881
Net cash generated from/(used in) investing activities		**30,882**	(24,470)
Cash flows from financing activities			
Repayment of bank loans		**(49,906)**	(53,650)
Decrease in restricted bank balances		**1,442**	2,646
Increase in a loan from a director		**17,245**	–
Proceeds from new bank loans		**84,925**	10,017
Net (decrease)/increase in trust receipt loans		**(114,606)**	43,733
Repayment of obligations under finance leases		**(10,890)**	(13,371)
Proceeds from shares issued under the share option scheme		**–**	2,053
Proceeds from rights issue	30	**–**	86,537
Borrowing costs paid		**(15,802)**	(13,847)
Net cash (used in)/generated from financing activities		**(87,592)**	64,118
Net (decrease)/increase in cash and cash equivalents		**(12,132)**	37,941
Cash and cash equivalents at beginning of year		**67,443**	29,502
Cash and cash equivalents at end of year	24	**55,311**	67,443

The notes on pages 71 to 146 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial asset at fair value through other comprehensive income ("FVOCI"), which is measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

The Group has applied the following new standards, amendments to existing standards and interpretations for the first time for their annual reporting period commencing 1 August 2018:

Standards	Subject of amendment
Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" are disclosed in note 2.2.

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other new standards, amendments to existing standards or interpretations that are effective for the first time for this reporting period that could be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 July 2019 reporting periods and have not been early adopted by the Group.

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 August 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 August 2019
Amendments to HKAS 28	Long-term Interests in Associates or Joint Venture	1 August 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 August 2019
HKFRS 16	Leases	1 August 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 August 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 August 2020
Amendments to HKFRS 3	Definition of a Business	1 August 2020
HKFRS 17	Insurance Contracts	1 August 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group's assessment of the impact of these new standards, amendments to existing standards and interpretations is set out below.

HKFRS 16, "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(d) *New standards, amendments to existing standards and interpretations not yet adopted (Continued)*

HKFRS 16, "Leases" (Continued)

Impact

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 RMB2,455,000 (note 33). All are related to short-term lease and will be recognised on a straight-line basis as expense in profit or loss.

For leases previously classified as 'finance leases', the Group will reclassify these leased assets of RMB36,049,000 included in property, plant and equipment and its corresponding finance lease liabilities of RMB17,274,000 as right-of-use assets and lease liabilities, respectively as at 1 August 2019 (date of initial application).

The land use rights of RMB13,348,000 will also be reclassified as right-of-use assets as at 1 August 2019.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the consolidated financial statements. However, some additional disclosures will be required from next year.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 August 2019. The Group intends to apply the simplified transition approach which means that the comparatives for the 2019 reporting period will not be restated.

The right-of-use assets will be measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the consolidated statement of financial position as at 1 August 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Except for HKFRS16 as discussed above, there are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 August 2018, where they are different to those applied in prior periods.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments arising from adoption of HKFRS 9 and HKFRS 15 are therefore not reflected in the consolidated statement of financial position as at 31 July 2018, but are recognised in the opening consolidated statement of financial position on 1 August 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**As at 31 July 2018 As originally presented** RMB'000	**Effect of adoption of HKFRS 9** RMB'000	**Effect of adoption of HKFRS 15** RMB'000	**As at 1 August 2018 Restated** RMB'000
Non-current assets				
Available-for-sale investment	8,198	(8,198)	–	–
Financial asset at fair value through other comprehensive income	–	8,198	–	8,198
Current assets				
Contract assets	–	–	33,411	33,411
Inventories	115,881	–	(34,839)	81,042
Current liabilities				
Receipts in advance, included in trade and other payables	12,295	–	(12,295)	–
Contract liabilities, included in trade and other payables	–	–	4,357	4,357
Equity				
Retained earnings, included in reserves	12,876	–	6,510	19,386

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(a) HKFRS 9 "Financial Instruments" – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 August 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in note 2.9. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

(i) Classification and measurements

On 1 August 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this classification are as follows:

Equity investment previously classified as available-for-sale investment

The Group elected to present changes in the fair value of its equity investment previously classified as available-for-sale financial asset in other comprehensive income ("OCI"). As a result, assets with a fair value of RMB8,198,000 were reclassified from available-for-sale financial asset to FVOCI on 1 August 2018.

The Group subsequently measures its equity investment at fair values. Where the Group's management has elected to present fair value gains and losses on equity investment in OCI, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as other income when the Group's right to receive payments is established.

Other than that, there were no changes to the classification and measurement of financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(a) HKFRS 9 "Financial Instruments" – Impact of adoption (Continued)

(ii) Impairment of financial assets and contract assets

Besides of contract assets, the Group has two types of financial assets as at 1 August 2018 that are subject to HKFRS 9's new expected credit loss model:

- trade receivables; and
- other financial assets measured at amortised costs (including cash and cash equivalents, restricted bank balance, bank deposits, other receivables and amounts due from related parties)

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Trade receivables and contract assets

The Group applies the simplified approach to measuring expected credit losses prescribed by HKFRS 9 which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The impairment loss for financial assets are based on assumptions about risk of default and expect loss rates. The Group use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past settlement pattern, existing market condition as well as forward looking estimates at the end of each reporting period.

As at the date of adoption on 1 August 2018 and during the year ended 31 July 2017, the Group has assessed the expected credit loss model applied and the change in impairment methodologies has no significant impact to the Group's allowance for impairment.

Other financial assets measured at amortised cost

Other financial assets at amortised cost mainly include other receivables and amounts due from related parties. The Group has applied the expected credit loss model to other receivables and amounts due from related parties as at 1 August 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect. While cash and cash equivalents, restricted bank balance and bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(b) HKFRS 15 "Revenue from Contracts with Customers" – Impact of adoption

HKFRS 15 replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. Under the new standard, revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The impacts of the adoption of HKFRS 15 are as follows:

Timing of revenue recognition

The Group is principally engaged in the manufacturing and sales of plastic moulded products and parts, assembling of electronic products, and mould design and fabrication.

Under HKFRS 15, revenue is recognised when or as the control of the products is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the products may be transferred over time or at a point in time.

For sales of mould, revenue is recognised over time if:

– the customer concurrently receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

– the Group's performance creates or enhances an asset that has no alternative use to the Group and the Group has a right to payment for performance completed to date.

Under the above criterion, the customer would at least compensate the costs incurred by the Group in satisfying the performance obligation completed to date plus a reasonable profit margin.

For plastic injection and assembling of electronic products, revenue is recognised either at point in time or over time. If the Group has a right to payment for performance completed to date and those products are unique if the Group is contractually or practically not able to sell these products to other customers. Revenue will be recognised over time. Otherwise, all other revenue will be recognised at point in time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(b) HKFRS 15 "Revenue from Contracts with Customers" – Impact of adoption (Continued)

Presentation of contract liabilities and contract assets

Certain "receipts in advance from customers" which were previously included in trade and other payables amounting to RMB12,295,000 as at 1 August 2018, are now included under contract liabilities as included in trade and other payables to reflect the terminology of HKFRS 15.

Contract assets of RMB41,808,000 are also recognised in the consolidated financial statements to reflect the terminology of HKFRS15.

Contract assets and contract liabilities amounting to RMB8,397,000 were offset for same contracts as at 1 August 2018 after reclassification disclosed above.

Reclassification of shipping expenses

Shipping costs constituted the separate performance obligation and is classified as cost of sales under HKFRS 15. Since the Group elected to adopt HKFRS 15 without restating comparatives, no reclassification of shipping cost has been performed for the year ended 31 July 2018. For the year ended 31 July 2019, shipping costs of RMB23,077,000 were reclassified from distribution costs to cost of sales to reflect the terminology of HKFRS15.

Financial impacts under HKFRS 15

The impact on Group's retained earnings as at 1 August 2018 are as follows:

At 1 August 2018	RMB'000
Retained earnings – before HKFRS 15 assessment	12,876
Recognition of revenue and cost of sales over time	6,510
Retained earnings – after HKFRS 15 restatement	19,386

The following tables summarise the estimated impact on adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 July 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2019 instead of HKFRS 15. These tables show only those line items impacted by adoption of HKFRS 15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(b) HKFRS 15 "Revenue from Contracts with Customers" – Impact of adoption (Continued)

Consolidated income statement For the year ended 31 July 2019 (extract)	**Amounts reported in accordance with HKFRS 15** RMB'000	**Hypothetical amounts under HKAS 18 and HKAS 11** RMB'000	**Estimated impact of adoption of HKFRS 15 in 2019** RMB'000
Revenue	649,092	674,670	(25,578)
Cost of sales	(620,750)	(620,635)	(115)
Gross profit	28,342	54,035	(25,693)
Distribution costs	(16,327)	(39,404)	23,077
Loss for the year attributable to owners of the Company	(122,162)	(119,546)	(2,616)
Loss per share attributable to owners of the Company for the year			
Basic and diluted loss per share	RMB(5.29) cent	RMB(5.18) cent	–
Total comprehensive loss for the year attributable to owners of the Company	(125,460)	(122,844)	(2,616)

Consolidated statement of financial position As at 31 July 2019 (extract)	**Amounts reported in accordance with HKFRS 15** RMB'000	**Hypothetical amounts under HKAS 18 and HKAS 11** RMB'000	**Estimated impact of adoption of HKFRS 15 in 2019** RMB'000
Current assets			
Contract assets	5,205	–	5,205
Inventories	49,250	61,150	(11,900)
Current liabilities			
Receipts in advance, included in trade and other payables	–	20,090	(20,090)
Contract liabilities, include in trade and other payables	10,779	–	10,779
Equity			
Retained earnings, included in reserves	89,942	92,558	(2,616)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Consolidation

(a) *Business Combination*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

(i) fair values of the assets transferred;

(ii) liabilities incurred to the former owners of the acquired business;

(iii) equity interests issued by the Group;

(iv) fair value of any asset or liability resulting from a contingent consideration arrangement; and

(v) fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

(i) consideration transferred;

(ii) amount of any non-controlling interest in the acquired entity; and

(iii) acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Consolidation (Continued)

(b) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(d) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.8.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Consolidation (Continued)

(e) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

(f) *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.

(g) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost 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)

2.4 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.

2.5 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 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.

2.7 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 2.8).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of non-financial assets

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

2.9 Investments and other financial assets

(a) Classification

From 1 August 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity Instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other (losses)/gains - net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

From 1 August 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

(e) Accounting policies applied until 31 July 2018

The Group classifies its financial assets in the following categories: loans and receivables; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Classification

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of "trade and other receivables", "bank deposits", "cash and cash equivalents" and "amounts due from related parties".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31 July 2018 (Continued)

(a) Classification (Continued)

(ii) Available-for-sale financial assets

Loans Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at financial asset through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(b) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31 July 2018 (Continued)

(d) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income; and
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

(e) Impairment of financial assets 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)

2.9 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31 July 2018 (Continued)

(e) Impairment of financial assets 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.

2.10 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.

2.11 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 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 22 for further information about the Group's accounting for trade receivables and note 3.1 for a description of the Group's impairment policies.

2.13 Contract assets and contract liabilities

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the basis set out in note 2.2(a). A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.15 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.

2.16 Trade and other payables

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

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

2.17 Borrowings

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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Borrowing costs

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

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.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, 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. Deferred income tax is also 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.20 Employee benefits

(a) Pension obligations

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits (Continued)

(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.

2.21 Provisions

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

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

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

2.22 Share-based payments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Share-based payments (Continued)

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.

2.23 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 Leases (Continued)

Sales and leaseback transaction

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

2.24 Revenue recognition

(a) Sales of goods

Revenue is recognised when or as the control of the products is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the products may be transferred over time or at a point in time.

Control of the goods is transferred over time if the Group’s performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, control of the goods is transferred at a point in time, being products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers’ acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers.

(b) Interest income

Interest income is recognised on a time basis on the principal outstanding at the applicable interest rate.

(c) Rental income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 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.

2.26 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.

2.27 Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale continue to be recognised.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the consolidated statement of financial position.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group's risk management is predominantly controlled by a central treasury department ("Group treasury") under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest-rate risks.

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 other than the functional currency of the entity to which they relate.

	US$	
	2019	2018
	RMB'000	RMB'000
Trade and other receivables	**56,779**	74,070
Contract assets	**1,684**	–
Bank deposits	**10,862**	10,544
Amount due from related parties	**2,138**	7,535
Cash and cash equivalents	**45,440**	66,168
Trade and other payables	**(44,236)**	(58,538)
Interest-bearing borrowings	**(31,333)**	(102,512)
Loan from a director	**(17,245)**	–
Overall net exposure	**24,089**	(2,733)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

At 31 July 2019, if RMB had weakened/strengthened by 5% against US$, with all other variables held constant, post-tax loss for the year would have been approximately RMB830,000 lower/higher (2018: post-tax loss for the year would have been approximately RMB230,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of financial assets and liabilities denominated in currencies other than the functional currency of the respective group entities.

(b) Credit risk

Credit risk arises from cash at banks, trade receivables, contract assets, deposits and other receivables, and amounts due from related parties, as well as credit exposures from outstanding receivables.

(i) Risk Management

The carrying amounts of cash at banks, restricted bank balance, bank deposits, trade receivables, contract assets, 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 2019, 20% (2018: 8%) and 58% (2018: 53%) 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.

(ii) Impairment of financial assets and contract assets

Trade receivables and contract assets

Trade receivables and contract assets of the Group are subject to the expected credit loss model. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

Trade receivables and contract assets (Continued)

To measure the expected credit losses, trade receivables and contract assets have been grouped based in the nature of customer accounts, shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 July 2019 or 1 August 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On this basis, expected loss rate of contract assets is assessed to be close to zero, as at 31 July 2019 and 1 August 2018. In respect of trade receivables, the loss allowance as at 31 July 2019 and 1 August 2018 (on adoption of HKFRS 9) was determined as follows:

As at 31 July 2019	**Current**	**1-30 days past due**	**31-90 days past due**	**Over 90 days past due**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount – Trade receivables	93,549	3,890	3,608	1,763	102,810
Loss allowance	18	70	88	1,578	1,754

As at 1 August 2018	**Current**	**1-30 days past due**	**31-90 days past due**	**Over 90 days past due**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount – Trade receivables	158,095	5,058	3,941	1,293	168,387
Loss allowance	2	36	76	643	757

Other financial assets at amotised costs

Other financial assets at amortised cost include the amounts due from related parties and other receivables excluding prepayments. The credit quality of other financial assets at amortised cost has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

Other receivables excluding prepayments

Included in “other receivables and deposits” were deposits of RMB34,000,000 in which the directors are of opinion that there is a risk of default, provision of RMB34,000,000 was made as at 31 July 2018 and 1 August 2018. See note 22 for details.

Except for this balance, the directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, no loss allowance was provided as at 31 July 2019 and 1 August 2018.

Amounts due from related parties

The directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of amounts due from related parties is assessed to be close to zero and no loss allowance was provided as at 31 July 2019 and 1 August 2018.

(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)

	On demand RMB'000	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 2019						
Loan from a director	–	393	375	17,418	–	18,186
Borrowings	179,555	–	–	–	–	179,555
Finance lease liabilities	–	7,387	5,511	6,147	217	19,262
Trade and other payables	–	109,075	–	–	–	109,075
Amounts due to related parties	1,913	–	–	–	–	1,913
At 31 July 2018						
Borrowings	204,824	36,766	14,898	6,214	–	262,702
Finance lease liabilities	–	3,568	3,568	4,956	–	12,092
Trade and other payables	–	214,558	–	–	–	214,558
Amounts due to related parties	1,433	–	–	–	–	1,433

(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, restricted bank balance and bank deposits, details of which are disclosed in note 23 and 24. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings, details of which are disclosed in note 26. 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 2019, if the interest rates on borrowings had been 50 basis points higher/lower, with all other variables held constant, post-tax loss for the year would have been RMB747,000 higher/lower (2018: post-tax loss for the year would have been RMB907,000 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, restricted bank balance, bank deposits, trade and other receivables and amounts due from related parties, and the Group's current financial liabilities including trade and other payables, amounts due to related parties and borrowings, approximate their fair values due to their short maturities, and non-current financial liabilities, including loan from a director as the interest rates approximately equal to market interest rates.

No forward foreign exchange contract was entered as at 31 July 2018 and 2019.

There was no transfer of financial assets and liabilities in the fair value hierarchy classifications for the years ended 31 July 2019 and 2018.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31 July 2019 and 2018.

	2019			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Financial asset at fair value through other comprehensive income	–	–	4,900	4,900

	2018			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Available–for–sale investment	–	–	8,198	8,198

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), finance lease liabilities and loan from a director less cash and cash equivalents and restricted bank balance. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Capital risk management (Continued)

The table below analyses the Group's capital structure as at 31 July 2019 and 2018:

	2019 RMB'000	2018 RMB'000
Total borrowings (note 26)	**176,393**	258,249
Loan from a director (note 34(d))	**17,245**	–
Finance lease liabilities (note 27)	**17,274**	10,714
Less: Restricted bank balances and cash and cash equivalents (notes 23 and 24)	**(138,340)**	(154,183)
Net debt	**72,572**	114,780
Total equity	**391,338**	510,288
Total capital	**463,910**	625,068
Gearing ratio	**16%**	18%

3.4 Offsetting financial assets and financial liabilities

The Group has no financial assets and financial liabilities, which is subject to offsetting, enforceable master netting arrangements and similar agreements.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(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. In assessing the net realisable value and making appropriate allowances, management identifies, using their judgement, inventories that are slow moving or obsolete, and considering their physical conditions, age, market conditions and market price for similar items. Management reassesses these estimates at the end of each reporting period.

(c) Estimation of provision for impairment of receivables from third parties and related parties

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 3.1(b).

(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.

5 SEGMENT INFORMATION

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

The CODM assesses the performance of the single operating segment based on a measure of profit/loss before share of results of an associate, finance income, finance costs and income tax expense. The CODM assesses the performance of the following three reportable segments and regards them being the reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

5 SEGMENT INFORMATION (Continued)

Revenue for the year consists of the following:

	2019 RMB'000	2018 RMB'000
Revenue		
Plastic injection and moulding	**356,006**	504,558
Assembling of electronic products	**250,503**	546,063
Mould design and fabrication	**42,583**	65,264
	649,092	1,115,885
Timing of revenue recognition		
At a point in time	**299,838**	625,797
Over time	**349,254**	490,088
	649,092	1,115,885

The Group's customer base is diversified but includes four (2018: three) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the year ended 31 July 2019. These customers individually contributed 29%, 18%, 12% and 10% of the Group's revenue (2018: 18%, 14% and 10%), respectively.

(i) Segment results, assets and liabilities

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

Segment assets include all tangible and current assets other than interest in an associate, financial asset at fair value through other comprehensive income, 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/loss is "segment result". To arrive at "segment result", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

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

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 July 2019 and 2018 is set out below.

5 SEGMENT INFORMATION (Continued)

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

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**356,006**	504,558	**250,503**	546,063	**42,583**	65,264	**649,092**	1,115,885
Reportable segment result	**(4,726)**	22,119	**(32,588)**	49,199	**(8,754)**	8,264	**(46,068)**	79,582
Other segment information								
Year ended 31 July								
Depreciation and amortisation for the year	**29,299**	23,354	**14,543**	13,003	**2,370**	4,144	**46,212**	40,501
Impairment on property, plant and equipment	**–**	–	**29,903**	–	**6,590**	–	**36,493**	–
Addition to non-current segment assets during the year	**12,240**	42,199	**2,912**	21,275	**5,885**	4,409	**21,037**	67,883
As at 31 July								
Reportable segment assets	**323,777**	470,246	**74,561**	184,607	**31,544**	55,437	**429,882**	710,290
Reportable segment liabilities	**47,101**	115,751	**62,438**	85,484	**4,387**	5,577	**113,926**	206,812

5 SEGMENT INFORMATION (Continued)

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

	2019 RMB'000	2018 RMB'000
Revenue		
Reportable segment revenue	**649,092**	1,115,885
Consolidated revenue	**649,092**	1,115,885
Profit or loss		
Reportable segment (loss)/profit	**(46,068)**	79,582
Finance income	**1,621**	881
Finance costs	**(15,802)**	(13,847)
Unallocated depreciation and amortisation	**(9,310)**	(9,469)
Unallocated head office and corporate expenses	**(52,049)**	(52,396)
Share of loss of an associate	**–**	(17,274)
Consolidated loss before income tax	**(121,608)**	(12,523)
Assets		
Reportable segment assets	**429,882**	710,290
Deferred income tax assets	**314**	466
Available-for-sale investment	**–**	8,198
Financial asset at fair value through other comprehensive income	**4,900**	–
Unallocated head office and corporate assets	**292,496**	292,786
Consolidated total assets	**727,592**	1,011,740
Liabilities		
Reportable segment liabilities	**113,926**	206,812
Deferred income tax liabilities	**1,721**	1,782
Unallocated head office and corporate liabilities	**220,607**	292,858
Consolidated total liabilities	**336,254**	501,452

5 SEGMENT INFORMATION (Continued)

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

The Group's business is operated in five (2018: five) major economic environments.

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

	2019 RMB'000	2018 RMB'000
Mainland China	283,576	708,522
United States of America	241,898	155,604
Europe	81,895	155,128
South East Asia	20,321	15,158
Hong Kong	15,881	81,468
Others	5,521	5
	649,092	1,115,885

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)/GAINS – NET

	2019 RMB'000	2018 RMB'000
Other income		
Rental income	11	507
Sales of scrap materials	898	1,815
Government grants and sundry income	2,298	6,394
	3,207	8,716
Other (losses)/gains – net		
Impairment on property, plant and equipment (note 15)	(36,493)	–
Net foreign exchange (losses)/gains	(527)	2,983
Net loss on disposal of property, plant and equipment	(11,977)	(1,467)
Gain on disposal of a subsidiary (note 7)	4,052	1,385
	(44,945)	2,901

7 GAIN ON DISPOSAL OF A SUBSIDIARY

During the year ended 31 July 2019, the Group disposed of its entire equity interest in Qingdao GP for a total cash consideration of RMB27,000,000. Qingdao GP was principally engaged in the provision of manufacturing and selling of plastic molded products and parts in the PRC and became dormant since 2015. As a result of the disposal, a gain of approximately RMB4,052,000 has been recognised in the consolidated income statement. The effect of the disposal is summarised as follows:

	RMB'000
Sales proceeds	27,000
Less:	
Net assets disposed of	
– Plant and buildings	(19,755)
– Land use right	(2,909)
Tax and other expenses attributable to the disposal	(284)
Net gain on disposal	4,052

Net proceeds on disposal of a subsidiary is as follows:

Total consideration received by cash	27,000
Less:	
Tax and other expenses attributable to the disposal	(284)
Net proceeds on disposal of a subsidiary	26,716

8 OPERATING (LOSS)/PROFIT

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

	2019 RMB'000	2018 RMB'000
Amortisation of land use rights (note 15)	**403**	484
Auditors' remuneration		
– Audit services	**1,743**	1,811
– Non-audit services	**243**	867
Cost of sales (Note)	**620,750**	966,302
Depreciation (note 15)	**55,119**	49,486
Operating lease charges in respect of land and buildings		
– factory and hostel rentals	**6,732**	8,532
Loss allowance/(reversal of loss allowance) on trade receivables	**997**	(434)
Provision for impairment of inventories (note 20)	**12,531**	8,928
Staff costs (note 11)	**170,611**	232,749

Note: Cost of sales included staff costs, depreciation, provision for impairment of inventories and operating lease charges, amounting to RMB186,121,000 (2018: RMB192,491,000) in aggregate, which are also included in the respective total amounts disclosed separately above for each type of the expenses.

9 FINANCE COSTS – NET

	2019 RMB'000	2018 RMB'000
Finance income		
Bank interest income	**(1,621)**	(881)
Finance costs		
Interest on bank borrowings	**12,542**	11,765
Finance charges on obligation under finance lease	**2,101**	1,349
Less: borrowing costs capitalised as construction in progress (Note)	**(433)**	(1,336)
	14,210	11,778
Other finance charges	**1,592**	2,069
	15,802	13,847
Finance costs – net	**14,181**	12,966

Note: During the year ended 31 July 2019, borrowing costs had been capitalised at the Group's weighted average effective interest rate of 5.4% per annum (2018: 5.3% per annum) for construction in progress.

10 INCOME TAX (EXPENSE)/CREDIT

	2019 RMB'000	2018 RMB'000
Current income tax		
Current PRC corporate income tax	**(1,104)**	(290)
Adjustment to provision in respect of prior years (Note)	**641**	5,943
	(463)	5,653
Deferred income tax		
Origination and reversal of temporary differences (note 29)	**(91)**	(1,981)
	(554)	3,672

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 2019 and 2018.

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

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

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

Note:

On 28 November 2008, the Group undertook certain group restructuring transactions, the transfer of equity interests is subject to withholding tax in the PRC at the rate of 10% made on the terms equivalent to those that prevail on an arm's length basis. As a result, the Group had recognised a provision for withholding tax of RMB6,600,000, with the corresponding charge to income tax, for the year ended 31 July 2009 in respect of these group restructuring transactions. During the year ended 31 July 2018, the Group disposed of its 90% equity interest in Qingdao GS and accordingly, the relevant provision amount in respect of Qingdao GS of RMB5,943,000 was reversed.

During the year ended 31 July 2019, the Group disposed of its entire equity interest in Qingdao GP and accordingly, the relevant provision amount in respect of Qingdao GP of RMB641,000 was reversed.

10 INCOME TAX (EXPENSE)/CREDIT (CONTINUED)

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

	2019 **RMB'000**	2018 RMB'000
Loss before income tax	**(121,608)**	(12,523)
Tax calculated at the applicable domestic tax rate of respective companies	**(30,397)**	(4,184)
Tax effect of non-deductible expenses	**14,271**	5,964
Adjustment to provision in respect of prior years	**(641)**	(5,943)
Tax effect of tax losses not recognised	**17,382**	4,169
Tax effect on withholding tax of retained profits in the PRC subsidiaries	**(61)**	850
Utilisation of previously unrecognised tax losses	**–**	(4,528)
	554	(3,672)

11 STAFF COSTS

	2019 **RMB'000**	2018 RMB'000
Salaries, wages and allowances	**152,956**	217,266
Contribution to retirement benefit schemes	**7,888**	11,141
Termination benefits	**9,767**	–
Equity settled share-based payment expenses (note 28)	**–**	4,342
	170,611	232,749

Staff costs include directors' remuneration totalling RMB9,589,000 (2018: RMB13,236,000) (note 12).

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 21% 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.

12 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of directors for the year ended 31 July 2019 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	-	4,755	-	-	-	-	-	-	4,755
Beh Chern Wei	-	1,680	-	-	-	-	-	-	1,680
Gan Sem Yam	-	961	-	-	-	-	-	-	961
Gan Chu Cheng	-	642	-	-	-	-	-	-	642
Zhang Pei Yu	-	736	-	-	-	-	-	-	736
	-	8,774	-	-	-	-	-	-	8,774
Non-executive director									
Gan Tiong Sia	157	-	-	-	-	-	-	-	157
Independent non-executive directors									
Diong Tai Pew	235	-	-	-	-	-	-	-	235
Fu Xiao Nan	207	-	-	-	-	-	-	-	207
Tang Sim Cheow	216	-	-	-	-	-	-	-	216
	658	-	-	-	-	-	-	-	658
	815	8,774	-	-	-	-	-	-	9,589

12 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

The remuneration of directors for the year ended 31 July 2018 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	–	4,539	–	–	375	–	–	–	4,914
Beh Chern Wei	–	1,896	167	–	375	–	–	–	2,438
Gan Sem Yam	–	1,711	–	–	375	–	–	–	2,086
Gan Chu Cheng	–	1,222	–	–	375	–	–	–	1,597
Zhang Pei Yu	–	736	9	–	375	–	–	–	1,120
	–	10,104	176	–	1,875	–	–	–	12,155
Non-executive director									
Gan Tiong Sia	150	–	–	–	188	–	–	–	338
Independent non-executive directors									
Diong Tai Pew	233	–	–	–	38	–	–	–	271
Fu Xiao Nan	198	–	–	–	38	–	–	–	236
Tang Sim Cheow	198	–	–	–	38	–	–	–	236
	629	–	–	–	114	–	–	–	743
	779	10,104	176	–	2,177	–	–	–	13,236

12 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	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	Total
	RMB'000	RMB'000	RMB'000
For the year ended 31 July 2019	815	8,774	9,589
For the year ended 31 July 2018	2,956	10,280	13,236

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 28). The value of these share options was measured according to the Group's accounting policies for share-based payment transactions as set out in note 2.22.

(b) Directors' retirement benefits

None of the directors receive any retirement benefits during the year (2018: Nil).

(c) Directors' termination benefits

None of the directors receive or will receive any termination benefits during the year (2018: Nil).

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

During the year ended 31 July 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: Nil).

12 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 2019, 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 (2018: 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 (2018: Nil).

13 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments three (2018: four) are directors whose emoluments are disclosed in note 12. The aggregate emoluments in respect of the remaining two (2018: one) individual are as follows:

	2019	2018
	RMB'000	RMB'000
Salaries and other emoluments	**2,919**	2,276
Discretionary bonuses	**–**	395
Share-based payments	**–**	87
	2,919	2,758

The emoluments of the two (2018: one) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2019	2018
HK$1,000,001-HK$1,500,000	**1**	–
HK$2,000,001-HK$2,500,000	**1**	–
HK$3,000,001-HK$3,500,000	**–**	1

There were no amounts paid during the year ended 31 July 2019 (2018: 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.

14 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of RMB122,162,000 (2018: RMB8,851,000) and the weighted average number of ordinary shares in issue during the year as follows:

	2019 **RMB'000**	2018 RMB'000
Loss attributable to owners of the Company	**(122,162)**	(8,851)

	2019	2018
Weighted average number of ordinary shares in issue ('000)	**2,307,513**	2,253,081
Basic and diluted loss per share (RMB cent)	**(5.29)**	(0.39)

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

For the year ended 31 July 2018, diluted loss per share equals to basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

15 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS

	Buildings	Leasehold improvements	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 2017	300,442	25,787	758,546	67,970	51,106	21,501	27,636	1,252,988	25,471	1,278,459
Additions	6,297	4,336	74,220	1,190	3,985	2,447	9,100	101,575	–	101,575
Transfer	23,070	–	–	–	–	–	(23,070)	–	–	–
Disposals/written off	–	(715)	(11,738)	(1,000)	(1,305)	(3,445)	–	(18,203)	–	(18,203)
Reclassified as assets held-for-sale (note 17)	(24,575)	–	(1,529)	–	–	–	–	(26,104)	(3,737)	(29,841)
Disposal of a subsidiary	(56,126)	–	(78,159)	–	(3,751)	(2,020)	–	(140,056)	(1,421)	(141,477)
At 31 July 2018	249,108	29,408	741,340	68,160	50,035	18,483	13,666	1,170,200	20,313	1,190,513
At 1 August 2018	249,108	29,408	741,340	68,160	50,035	18,483	13,666	1,170,200	20,313	1,190,513
Additions	3,626	739	18,441	-	295	1,252	1,464	25,817	-	25,817
Transfer	-	-	8,276	-	-	-	(8,276)	-	-	-
Disposals/written off	(1,591)	(2,886)	(88,455)	(42)	(10,688)	(1,771)	-	(105,433)	-	(105,433)
At 31 July 2019	251,143	27,261	679,602	68,118	39,642	17,964	6,854	1,090,584	20,313	1,110,897
Accumulated depreciation, amortisation and impairment										
At 1 August 2017	93,719	13,270	587,311	5,170	38,959	17,241	–	755,670	7,402	763,072
Charge for the year	8,544	2,691	31,739	3,037	2,035	1,440	–	49,486	484	49,970
Disposals/written off	–	(588)	(10,059)	(115)	(1,164)	(3,090)	–	(15,016)	–	(15,016)
Reclassified as assets held-for-sale (note 17)	(4,820)	–	(1,529)	–	–	–	–	(6,349)	(828)	(7,177)
Written back on disposal of a subsidiary	(25,592)	–	(46,838)	–	(3,310)	(1,339)	–	(77,079)	(496)	(77,575)
At 31 July 2018	71,851	15,373	560,624	8,092	36,520	14,252	–	706,712	6,562	713,274
At 1 August 2018	71,851	15,373	560,624	8,092	36,520	14,252	-	706,712	6,562	713,274
Charge for the year	7,334	3,466	35,440	3,319	3,537	2,023	-	55,119	403	55,522
Disposals/written off	(244)	(1,494)	(71,998)	(7)	(9,305)	(1,507)	-	(84,555)	-	(84,555)
Impairment	-	4,375	32,118	-	-	-	-	36,493	-	36,493
At 31 July 2019	78,941	21,720	556,184	11,404	30,752	14,768	-	713,769	6,965	720,734
Net book value										
At 31 July 2019	172,202	5,541	123,418	56,714	8,890	3,196	6,854	376,815	13,348	390,163
At 31 July 2018	177,257	14,035	180,716	60,068	13,515	4,231	13,666	463,488	13,751	477,239

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

At 31 July 2019 and 2018, 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 26).

Depreciation incurred during the year is attributable to the following:

	2019 RMB'000	2018 RMB'000
Cost of sales	39,822	36,189
Distribution costs	1,040	678
General and administrative expenses	14,257	12,619
	55,119	49,486

Plant, moulds and machinery including the following amounts where the Group is a lessee under a finance lease (note 27).

Leased machinery

	2019 RMB'000	2018 RMB'000
Cost	39,926	22,476
Accumulated depreciation	(3,877)	(1,408)
Net book value	36,049	21,068

16 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment includes the following:

	2019 RMB'000	2018 RMB'000
Unlisted equity investment in the PRC (Note (a))	–	8,198

Financial asset at fair value through other comprehensive income includes the following:

	2019 RMB'000	2018 RMB'000
Unlisted equity investment in the PRC (Note (a))	4,900	–

16 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENT (CONTINUED)

Movements of the carrying amount of available-for-sale investment is as follows:

	2018 RMB'000
At 1 August	–
Addition – unlisted equity investment in the PRC	8,198
At 31 July	8,198

Movements of the carrying amount of financial asset at fair value through other comprehensive income is as follows:

	2019 **RMB'000**
At 1 August	**–**
Reclassification from available-for-sale investment due to adoption of HKFRS 9 (note 2.2(a)(i))	**8,198**
Change in value on fair value through other comprehensive income	**(3,298)**
At 31 July	**4,900**

Notes:

(a) The balance represented fair value of the Group's 10% equity interest in Qingdao GS and is dominated in RMB.

(b) Valuation of financial asset at fair value through other comprehensive income/available-for-sale investment

The fair value of the unlisted equity investment that is not traded in an active market is determined by an independent qualified valuer, Asset Appraisal Limited.

The valuation of financial asset at fair value through other comprehensive income determined using discounted cash flow projects and are within level 3 of fair value hierarchy. The significant unobservable inputs are revenue growth rate and the rate of return on the investment. The lower the rate of return, the higher the fair value of the investment. The higher the revenue growth rate, the higher the fair value of the investment.

17 ASSETS CLASSIFIED AS HELD-FOR-SALE

(i) Description

On 19 July 2018, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in Qingdao GP, a wholly-owned subsidiary, for a total cash consideration of RMB27,000,000. The associated assets were consequently presented as assets classified as held-for-sale as at 31 July 2018.

(ii) The following assets were reclassified as held-for-sale as at 31 July 2018:

	2018 RMB'000
Assets classified as held-for-sale	
Plant and buildings	19,755
Land use right	2,909
	22,664

18 SUBSIDIARIES

Details of the Group's subsidiaries at 31 July 2019 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 (ii)))	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$18,820,000	100%	–	100%
Haivs Industry (Qingdao) Co Ltd (Note (i))	PRC, limited liability company	Investment holding in the PRC	RMB32,150,000	100%	–	100%

18 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
Qingdao GP Precision Mold Co Ltd. (Note (i))	PRC, limited liability company	Investment holding in the PRC	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	Investment holding 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 Vientam	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 (iii))	PRC, limited liability company	Dormant	RMB15,000,000	100%	–	100%
Zhuhai Deyuan Energy Conservation Technology Company Limited 珠海德源節能科技有限公司(Note (iii))	PRC, limited liability company	Operation and management of rooftop solar plant	RMB74,000,000	100%	–	100%

Notes:

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

(ii) In accordance with the articles of association of VSHK, any shareholder holding the 75,000,000 non-voting deferred shares is 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.

(iii) The English names of the companies established in the PRC represent the best effort by the directors in translating their Chinese names as they do not have an official English names.

19 INTEREST IN AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
At beginning of the year	–	17,274
Share of loss	–	(17,274)
At end of the year	–	–

The particulars of the Group's associate as at 31 July 2019 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$17,291,213	24.31%	24.31%	Equity method

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.

19 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

	2019 RMB'000	2018 RMB'000
Current assets	**140,231**	155,118
Non-current assets	**22,763**	37,534
Current liabilities	**(130,510)**	(169,416)
Non-current liabilities	**(32,844)**	(24,964)
Net liabilities	**(360)**	(1,728)

Summarised statement of comprehensive loss

	2019 RMB'000	2018 RMB'000
Revenue	**309,394**	305,213
Expenses	**(311,880)**	(375,164)
Total comprehensive loss	**(2,486)**	(69,951)

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

	2019 RMB'000	2018 RMB'000
Opening net (liabilities)/assets	**(1,728)**	68,223
Total comprehensive loss	**(2,486)**	(69,951)
Capital injection by other shareholder	**3,854**	–
Closing net liabilities	**(360)**	(1,728)
Effective interest in an associate	**24.31%**	25.32%
Interest in an associate	**–**	–
Carrying value	**–**	–

20 INVENTORIES

Inventories included in the consolidated statement of financial position comprise:

	2019	2018
	RMB'000	RMB'000
Raw materials	**33,114**	64,369
Work-in-progress	**7,233**	23,096
Finished goods	**30,714**	45,400
Inventories – gross	**71,061**	132,865
Provision for impairment	**(21,811)**	(16,984)
Inventories – net	**49,250**	115,881

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

	2019	2018
	RMB'000	RMB'000
Beginning of the year	**16,984**	9,850
Provision for impairment for the year	**12,531**	8,928
Write-off	**(7,704)**	(1,794)
End of the year	**21,811**	16,984

21 CONTRACT ASSETS

	2019 RMB'000	2018 RMB'000
Contract assets	**5,205**	–

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

The carrying amounts of the contract assets are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**3,521**	–
US$	**1,684**	–
	5,205	–

22 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 RMB'000	2018 RMB'000
Trade receivables	**102,810**	168,387
Bills receivables	**7,345**	3,550
Trade and bills receivables – gross	**110,155**	171,937
Less: Loss allowance	**(1,754)**	(757)
Trade and bills receivables – net	**108,401**	171,180
Other receivables, deposits and prepayments	**62,337**	86,379
Less: Loss allowance (Note)	**(34,000)**	(34,000)
Other receivables, deposits and prepayments – net	**28,337**	52,379
Less: Prepayments (non-current)	**(7,813)**	(18,349)
Total trade and other receivables, deposits and prepayments (current)	**128,925**	205,210

22 TRADE AND OTHER RECEIVABLES (CONTINUED)

Note:

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

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

Up to the date of these consolidated financial statements, the Deposits have not yet been refunded to the Group. In view of the lapse of the Agreement and Settlement Agreement, and there is no collateral or guarantee provided by the Vendor to the Group on the refund of the Deposits, a provision for impairment was made on the entire amount of the Deposits as at 31 July 2019 and 2018. The Group has taken up a legal proceeding against the Vendor to claim for the full refund of the Deposits and the relevant interests.

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

	2019 **RMB'000**	2018 RMB'000
Up to 3 months	**102,610**	166,405
3 to 6 months	**6,975**	4,495
Over 6 months	**570**	1,037
	110,155	171,937

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivable mentioned above.

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	2019 **RMB'000**	2018 RMB'000
RMB	**70,346**	129,267
US$	**56,779**	74,070
HK$	**1,750**	1,431
Singapore dollar	**50**	442
	128,925	205,210

23 RESTRICTED BANK BALANCES

	2019 RMB'000	2018 RMB'000
Pledged deposits with banks (Note)	**64,905**	68,024
Other restricted bank balance	**1,677**	–
	66,582	68,024

Note:

The deposits are pledged to banks as security for certain banking facilities, including trade finances, overdrafts and bank loans (note 26).

As at 31 July 2019, the interest rate of these pledged bank deposits is ranged from 1.55% to 1.95% per annum (2018: 1.55% to 1.95% per annum).

The carrying amounts of the restricted bank balances are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**55,720**	57,480
US$	**10,862**	10,544
	66,582	68,024

24 CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash at banks and on hand	**71,758**	86,159

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

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	**71,758**	86,159
Bank overdrafts (note 26)	**(16,447)**	(18,716)
Cash, cash equivalents and bank overdrafts	**55,311**	67,443

24 CASH AND BANK BALANCES (CONTINUED)

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**26,129**	19,432
US$	**45,440**	66,168
HK$	**171**	543
Others	**18**	16
	71,758	86,159

25 TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**68,707**	134,150
Accrued expenses and other payables	**33,091**	64,606
Payables for the purchase of property, plant and equipment	**7,277**	15,802
Receipts in advance (Note)	**–**	12,295
Contract liabilities (Note)	**10,779**	–
Deposit received	**1,380**	602
Trade and other payables	**121,234**	227,455

Note: Contract liabilities include receipts in advance from customers. All of the contract liabilities as at 1 August 2018 were recognised as revenue in the current reporting period.

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

	2019 RMB'000	2018 RMB'000
Less than 1 month	**26,282**	41,708
1 to 3 months	**30,417**	70,722
More than 3 months	**12,008**	21,720
	68,707	134,150

25 TRADE AND OTHER PAYABLES (CONTINUED)

The carrying amounts of the trade and other payables are denominated in the following currencies:

	2019 **RMB'000**	2018 RMB'000
RMB	**74,059**	161,706
US$	**44,236**	58,538
HK$	**2,921**	5,133
EUR	**5**	2,041
JPY	**13**	37
	121,234	227,455

26 BORROWINGS

	2019 **RMB'000**	2018 RMB'000
Current		
Short-term bank borrowings, unsecured	**19,989**	10,017
Short-term bank borrowings, secured	**45,235**	–
Bank overdrafts, secured	**16,447**	18,716
Trust receipts bank loans, secured	**87,838**	182,743
Portion of non-current bank borrowings repayable within one year, secured	**6,884**	40,893
	176,393	252,369
Non-current		
Bank borrowings repayable after one year but within two years, secured	**–**	5,880
Total borrowings	**176,393**	258,249

As at 31 July 2019 and 2018, the entire amounts of short-term bank borrowings, 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:

	2019 **RMB'000**	2018 RMB'000
– at floating rates	**150,347**	248,232

26 BORROWINGS (CONTINUED)

	2019	2018
Trust receipt bank loans	**5.4%**	4.6%
Bank overdrafts	**7.0%**	7.0%
Other bank borrowings	**4.6%**	3.7%

As at 31 July 2019, the Group's borrowings of RMB26,046,000 (2018: RMB10,017,000) are carried at fixed rates and bear interest at rate 5.6% and 7.0% respectively per annum (2018: 5.5% per annum).

The carrying amounts of the borrowings are denominated in the following currencies:

	2019	2018
	RMB'000	RMB'000
RMB	**128,613**	137,020
US$	**31,333**	102,512
HK$	**16,447**	18,717
	176,393	258,249

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

	2019	2018
	RMB'000	RMB'000
Bank deposits (note 23)	**64,905**	68,024
Buildings (note 15)	**168,447**	173,503
Plant and machinery (note 15)	**11,298**	17,988
Land use rights (note 15)	**13,348**	13,751
	257,998	273,266

The above-mentioned secured banking facilities, including trade finances, overdrafts and bank loans, totalling RMB437,719,000 (2018: RMB309,863,000), were utilised to the extent of RMB156,404,000 at 31 July 2019 (2018: RMB248,232,000). The Group's banking facilities also included certain unsecured banking facilities, totalling RMB20,000,000 (2018: RMB20,000,000), which were utilised to the extent of RMB19,989,000 at 31 July 2019 (2018: RMB10,017,000).

27 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.

	2019 RMB'000	2018 RMB'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**12,898**	7,136
Later than 1 year and no later than 5 years	**6,364**	4,956
	19,262	12,092
Future finance charges on finance leases	**(1,988)**	(1,378)
Present value of finance lease liabilities	**17,274**	10,714
The present value of finance lease liabilities is as follows:		
No later than 1 year	**11,300**	6,031
Later than 1 year and no later than 5 years	**5,974**	4,683
	17,274	10,714

The carrying amounts of the finance lease liabilities are denominated in RMB.

28 SHARE OPTION SCHEME

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

Pursuant to the resolution duly passed at the annual general meeting of the Company ("2014 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 2014 AGM. As at the date of the 2014 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 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 2018, an amount of RMB4,342,000 was recognised as employee costs with a corresponding increase in capital reserve within equity.

For the year ended 31 July 2019, all the share options have been lapsed. The employee share-based capital reserve of RMB13,872,000 was transferred to accumulated losses within equity.

Pursuant to the resolution duly passed at EGM of the Company ("2017 EGM") 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 2017 EGM. As at the date of the 2017 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 duly passed at the annual general meeting of the Company ("2018 AGM") held on 13 December 2018, the Company refreshed the existing share option scheme limit up to 10% of the issued share capital of the Company as at the date of the 2018 AGM. As at the date of the 2018 AGM, there were 2,307,513,363 shares of the Company in issue. Accordingly, the refreshed mandate was 230,751,336 shares of the Company.

28 SHARE OPTION SCHEME (CONTINUED)

(a) **Terms and conditions of the New 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
12 January 2017	12 January 2017 to 28 February 2017	1 March 2017 to 28 February 2019	0.310 (Note)	90,832,707
	12 January 2017 to 28 February 2018	1 March 2018 to 28 February 2019	0.310 (Note)	91,142,857
				181,975,564

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.

Note:

After the completion of rights issue on 12 September 2017 (note 30), adjustments were made to the total number of share options which were 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.

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

	2019		2018	
	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	**0.310**	**168,578**	0.320	176,020
Adjusted during the year	**–**	**–**	0.310	5,955
Exercised during the year	**–**	**–**	0.310	(7,788)
Lapsed during the year	**0.310**	**(168,578)**	0.310	(5,609)
Outstanding at the end of the year		**–**	0.310	168,578
Exercisable at the end of the year		**–**	0.310	168,578

28 SHARE OPTION SCHEME (CONTINUED)

(c) Fair value of options and assumptions

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.

29 DEFERRED INCOME TAX

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

	2019 **RMB'000**	2018 RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	**314**	466
Deferred tax liabilities:		
– to be recovered after more than 12 months	**(1,721)**	(1,782)
Deferred tax liabilities – net	**(1,407)**	(1,316)

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 2017	1,704	(932)	772
Charged to profit or loss (note 10)	(1,131)	(850)	(1,981)
Disposal of a subsidiary	(107)	–	(107)
At 31 July 2018	466	(1,782)	(1,316)
At 1 August 2018	466	(1,782)	(1,316)
(Charged)/credited to profit or loss (note 10)	(152)	61	(91)
At 31 July 2019	314	(1,721)	(1,407)

The Group did not recognise deferred income tax assets of RMB31,458,000 (2018: RMB19,433,000) in respect of tax losses amounting to RMB126,657,000 (2018: RMB77,942,000) that can be carried forward against future taxable income, which will expire between 2020 and 2024 (2018: 2019 and 2023).

30 SHARE CAPITAL AND SHARE PREMIUM

	2019			2018		
	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	**2,307,513**	**105,013**	**306,364**	1,839,780	85,311	236,590
Issuance of shares from rights issue (Note)	**–**	**–**	**–**	459,945	19,371	67,166
Issuance of share upon exercising of share options (note 28)	**–**	**–**	**–**	7,788	331	2,608
At end of year	**2,307,513**	**105,013**	**306,364**	2,307,513	105,013	306,364

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.

Note:

On 12 September 2017, the Group has successfully raised net proceeds of approximately RMB86,537,000 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.

31 OTHER (DEFICIT)/RESERVES

	Note	Capital reserves RMB'000	Statutory reserve fund RMB'000 (Note)	Employee share-based capital reserve RMB'000	Financial asset at fair value through other comprehensive income reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 August 2017		11,752	67,087	10,863	–	14,604	104,306
Comprehensive loss							
Loss for the year		–	–	–	–	(8,851)	(8,851)
Total comprehensive loss		–	–	–	–	(8,851)	(8,851)
Issuance of shares upon exercising of share options	30	–	–	(886)	–	–	(886)
Transfer upon disposal of a subsidiary		–	(9,170)	–	–	9,170	–
Appropriation (Note)		–	2,494	–	–	(2,494)	–
Share options granted to employees lapsed		–	–	(447)	–	447	–
Fair value of employee services under the share options scheme	28	–	–	4,342	–	–	4,342
Total transactions with owners, recognised directly in equity		–	(6,676)	3,009	–	7,123	3,456
Balance at 31 July 2018		11,752	60,411	13,872	–	12,876	98,911
Adjustment on adoption of HKFRS 15 (note 2.2)		–	–	–	–	6,510	6,510
Restated balance at 1 August 2018		11,752	60,411	13,872	–	19,386	105,421
Comprehensive loss							
Loss for the year		–	–	–	–	(122,162)	(122,162)
Other comprehensive loss							
Changes in value on financial asset at fair value through other comprehensive income	16	–	–	–	(3,298)	–	(3,298)
Total comprehensive loss		–	–	–	(3,298)	(122,162)	(125,460)
Transfer upon disposal of a subsidiary		–	(301)	–	–	301	–
Appropriation (Note)		–	1,339	–	–	(1,339)	–
Share options granted to employees lapsed	28	–	–	(13,872)	–	13,872	–
Total transactions with owners, recognised directly in equity		–	1,038	(13,872)	–	12,834	–
Balance at 31 July 2019		11,752	61,449	–	(3,298)	(89,942)	(20,039)

31 OTHER (DEFICIT)/RESERVES (CONTINUED)

Note:

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.

32 DIVIDENDS

No dividend has been paid or declared by the Company for the years ended 31 July 2019 and 2018.

33 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 July 2019 and 2018 not provided for in the consolidated financial statements are as follows:

	2019	2018
	RMB'000	RMB'000
Contracted for	**3,428**	7,238

(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:

	2019	2018
	RMB'000	RMB'000
Within one year	**2,455**	4,078

34 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:

	2019 RMB'000	2018 RMB'000
Sales to the ultimate holding company	7,236	661
Sales to an associate	–	3,973
	7,236	4,634
Sales of machineries to the ultimate holding company	8,722	–
Operating lease charges paid and payable to a company controlled by a director	6,284	7,658
Purchase of fabricated moulds and certain moulded products and parts from a company controlled by the family member of a director	233	1,126
Management fee paid and payable to a company controlled by a director	249	498
Sub-contracting fee paid and payable to a company controlled by the family member of a director	5,302	6,800
Repair and maintenance services paid and payable to a company controlled by the family member of a director	743	1,001

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:

	2019 RMB'000	2018 RMB'000
Amount due from a company controlled by a director	339	2,015
Amount due from a company controlled by a family member of a director	205	–
Amount due from the ultimate holding company	2,138	715
Amount due from an associate (Note)	–	6,820
	2,682	9,550

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

34 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:

	2019 RMB'000	2018 RMB'000
Neither past due nor impaired	–	3,757
Past due for:		
1 to 3 months	–	3,063
	–	6,820

The maximum exposure to credit risk is the fair value of the above receivables.

The carrying amounts of the amounts due from related parties are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
US$	2,138	7,535
RMB	544	2,015
	2,682	9,550

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

	2019 RMB'000	2018 RMB'000
Amounts due to directors	207	203
Amount due to the ultimate holding company	2	14
Amount due to a company controlled by a family member of a director	1,704	1,216
	1,913	1,433

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

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

The carrying amounts of the amounts due to related parties are denominated in the following currencies:

	2019	2018
	RMB'000	RMB'000
RMB	**1,704**	1,216
Others	**209**	217
	1,913	1,433

(d) Loan from a director

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

	2019	2018
	RMB'000	RMB'000
Repayable after one year but within two years	**17,245**	–

(e) 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 12.

35 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from/(used in) operations

	Note	2019 RMB'000	2018 RMB'000
Loss before income tax		**(121,608)**	(12,523)
Adjustments for:			
– Finance costs	9	**15,802**	13,847
– Interest income	9	**(1,621)**	(881)
– Amortisation of land use rights	8	**403**	484
– Depreciation	8	**55,119**	49,486
– Impairment on property, plant and equipment	6	**36,493**	–
– Share of loss of an associate		**–**	17,274
– Net loss on disposal of property, plant and equipment	6	**11,977**	1,467
– Gain on disposal of a subsidiary	6	**(4,052)**	(1,385)
– Equity settled share-based payment expenses	11	**–**	4,342
		(7,487)	72,111
Changes in working capital:			
Inventories		**31,792**	(15,647)
Trade and other receivables		**118,093**	6,143
Contract assets		**(5,205)**	–
Amounts due from related parties		**6,868**	4,293
Amounts due to related parties		**480**	(320)
Trade and other payables		**(98,155)**	(67,422)
Cash generated from/(used in) operations		**46,386**	(842)

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

	2019 RMB'000	2018 RMB'000
Net book amount disposed	**20,878**	3,187
Proceeds received	**(8,901)**	(1,720)
Loss on disposals	**11,977**	1,467

35 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Liabilities from financing activities

	Finance lease liabilities due within 1 year	Finance lease liabilities due after 1 year	Bank borrowings due within 1 year	Bank borrowings due after 1 year	Loan from a director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 August 2017	(1,683)	(2,813)	(223,269)	(46,164)	–	(273,929)
Cash flows	5,509	7,862	(40,384)	40,284	–	13,271
Non-cash transactions (Note)	(9,857)	(9,732)	–	–	–	(19,589)
Disposal of a subsidiary	–	–	30,000	–	–	30,000
As at 31 July 2018	(6,031)	(4,683)	(233,653)	(5,880)	–	(250,247)
As at 1 August 2018	(6,031)	(4,683)	(233,653)	(5,880)	–	(250,247)
Cash flows	6,183	4,707	73,707	5,880	(17,245)	73,232
Non-cash transactions (Note)	(11,452)	(5,998)	–	–	–	(17,450)
As at 31 July 2019	(11,300)	(5,974)	(159,946)	–	(17,245)	(194,465)

Note:

The Group entered into finance lease arrangements in respect of machineries with a total capital amount at the inception of the lease of RMB17,450,000 for the year ended 31 July 2019 (2018: RMB19,589,000).

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2019 RMB'000	2018 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**308,844**	308,844
Current assets		
Other receivables	**–**	2
Amounts due from subsidiaries	**150,509**	118,539
Cash and cash equivalents	**94**	162
	150,603	118,703
Total assets	**459,447**	427,547
EQUITY		
Capital and reserves		
Share capital	**105,013**	105,013
Share premium	**306,364**	306,364
Other deficit (Note (a))	**(62,097)**	(50,760)
Total equity attributable to owners of the Company	**349,280**	360,617
LIABILITIES		
Current liabilities		
Other payables	**1,707**	1,850
Amounts due to subsidiaries	**108,460**	65,080
Total liabilities	**110,167**	66,930
Total equity and liabilities	**459,447**	427,547

36 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 2017	148,621	10,863	(195,994)	(36,510)
Comprehensive loss				
Loss for the year	–	–	(17,706)	(17,706)
Issuance of shares upon exercising of share options	–	(886)	–	(886)
Share options granted to employees lapsed	–	(447)	447	–
Fair value of employee services under the share options scheme	–	4,342	–	4,342
Balance at 31 July 2018 and 1 August 2018	148,621	13,872	(213,253)	(50,760)
Comprehensive loss				
Loss for the year	–	–	(11,337)	(11,337)
Share options granted to employees lapsed	–	(13,872)	13,872	–
Balance at 31 July 2019	148,621	–	(210,718)	(62,097)

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 2.22.

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

Tang Sim Cheow (Appointed as chairman of the Audit Committee on 1 May 2019)
Fu Xiao Nan
Diong Tai Pew (Ceased to be chairman of the Audit Committee on 1 May 2019)

REMUNERATION COMMITTEE OF THE BOARD

Fu Xiao Nan *(Chairman of the Remuneration Committee)*
Diong Tai Pew (Ceased to be member of the Remuneration on 1 May 2019)
Mr. Tang Sim Cheow (Appointed as a member of the Remuneration Committee on 1 May 2019)
Beh Kim Ling

NOMINATION COMMITTEE OF THE BOARD

Diong Tai Pew (Appointed as chairman of the Nomination Committee on 1 May 2019)
Tang Sim Cheow (Ceased to be chairman of the Nomination Committee on 1 May 2019)
Gan Chu Cheng

COMPANY SECRETARY

Ng Ting On, Polly

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Malayan Banking Berhad Hong Kong Branch
Industrial & Commercial Bank of China Ltd.
China Resources Bank of Zhuhai
United Overseas Bank (China) Limited

SUBSIDIARIES

V.S. International Industry Limited
V.S. Holding Vietnam Limited
Energy Ally Global Limited
Vistra Corporate Services Central
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VSA Electronics Technology (Zhuhai) Co., Ltd.
V.S. ECO-TECH (Zhuhai) Co., Ltd.
V.S. Industrial Product Design (Zhuhai) Co., Ltd.
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ASSOCIATED COMPANY

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Bacninh Province
Vietnam
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Fax No: (84) 241 3634 308

MAJOR PROPERTY 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

Five Years Summary

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000 (Restated)
Results					
Revenue	**649,092**	1,115,885	1,270,725	884,227	934,472
Operating (loss)/profit	**(107,427)**	17,717	45,819	(11,872)	2,978
Finance costs – net	**(14,181)**	(12,966)	(12,376)	(11,754)	(13,122)
Share of (loss)/profit of an associate	**–**	(17,274)	(9,846)	2,531	(2,677)
(Loss)/profit before income tax	**(121,608)**	(12,523)	23,597	(21,095)	(12,821)
Income tax (expense)/credit	**(554)**	3,672	(10,113)	(11,408)	(10,345)
(Loss)/profit for the year	**(122,162)**	(8,851)	13,484	(32,503)	(23,166)
Attributable to:					
Owners of the Company	**(122,162)**	(8,851)	13,484	(32,503)	(23,166)
Assets and liabilities					
Non-current assets	**403,190**	504,252	545,785	501,553	532,234
Current assets	**324,402**	507,488	523,426	393,300	412,513
Total assets	**727,592**	1,011,740	1,069,211	894,853	944,747
Current liabilities	**(311,314)**	(489,107)	(593,095)	(408,995)	(398,991)
Non-current liabilities	**(24,940)**	(12,345)	(49,909)	(85,966)	(117,656)
NET ASSETS	**391,338**	510,288	426,207	399,892	428,100
Share capital	**105,013**	105,013	85,311	84,996	84,549
Reserves	**286,325**	405,275	340,896	314,896	343,551
TOTAL EQUITY	**391,338**	510,288	426,207	399,892	428,100
(Loss)/earnings per share					
Basic	**(5.29) cents**	(0.39) cent	0.71 cent	(1.72) cents	(1.37) cents
Diluted	**(5.29) cents**	(0.39) cent	0.71 cent	(1.72) cents	(1.37) cents