



V.S. International Group Limited

威鉞國際集團有限公司

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

Annual Report

2019/20



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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.

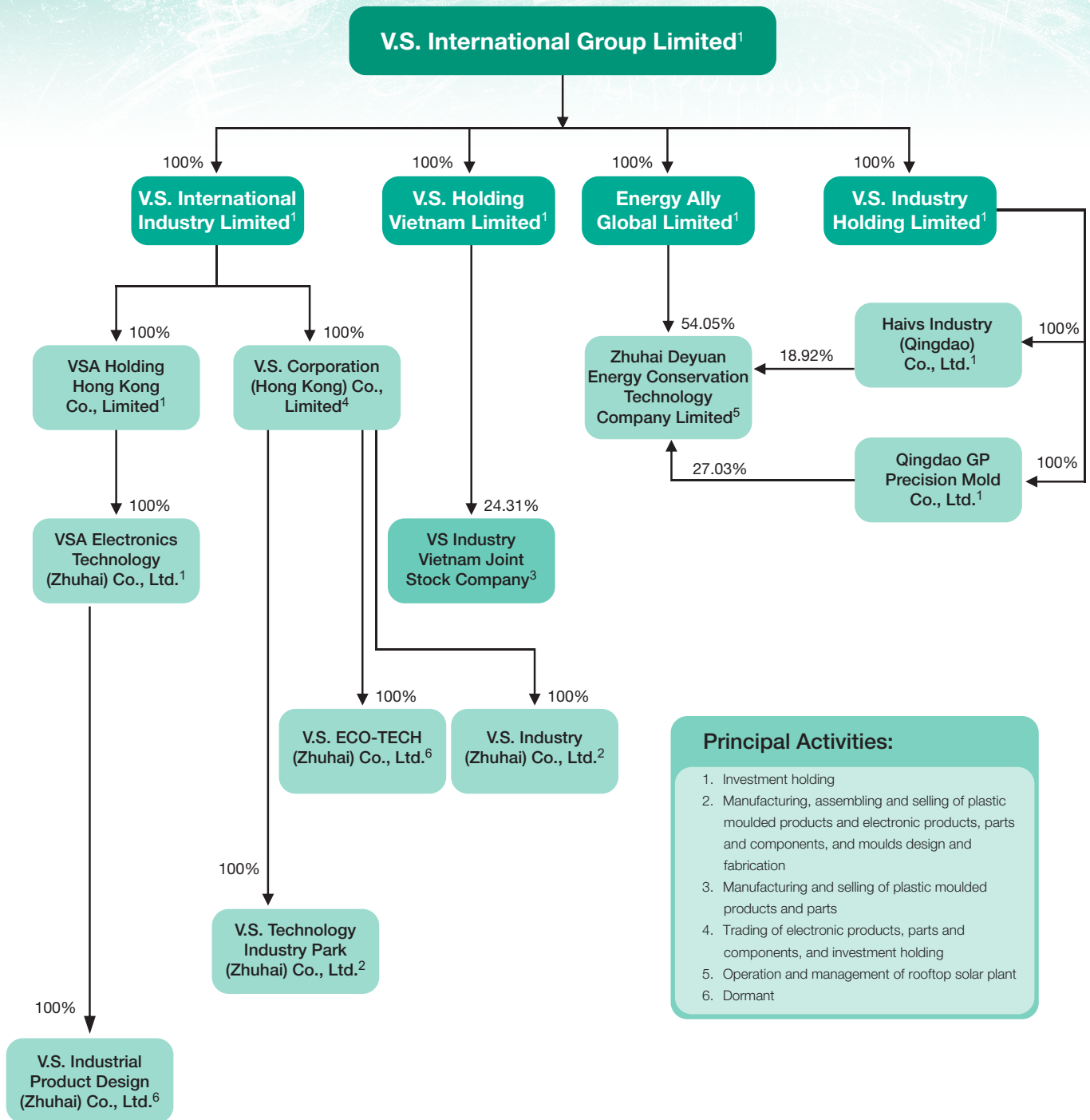
The Group commenced its business in 1997 in Shenzhen, the People’s Republic of China (“PRC”) and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) in February 2002. The Company is a subsidiary of V.S. Industry Berhad, a company incorporated in Malaysia with limited 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 24 September 2020



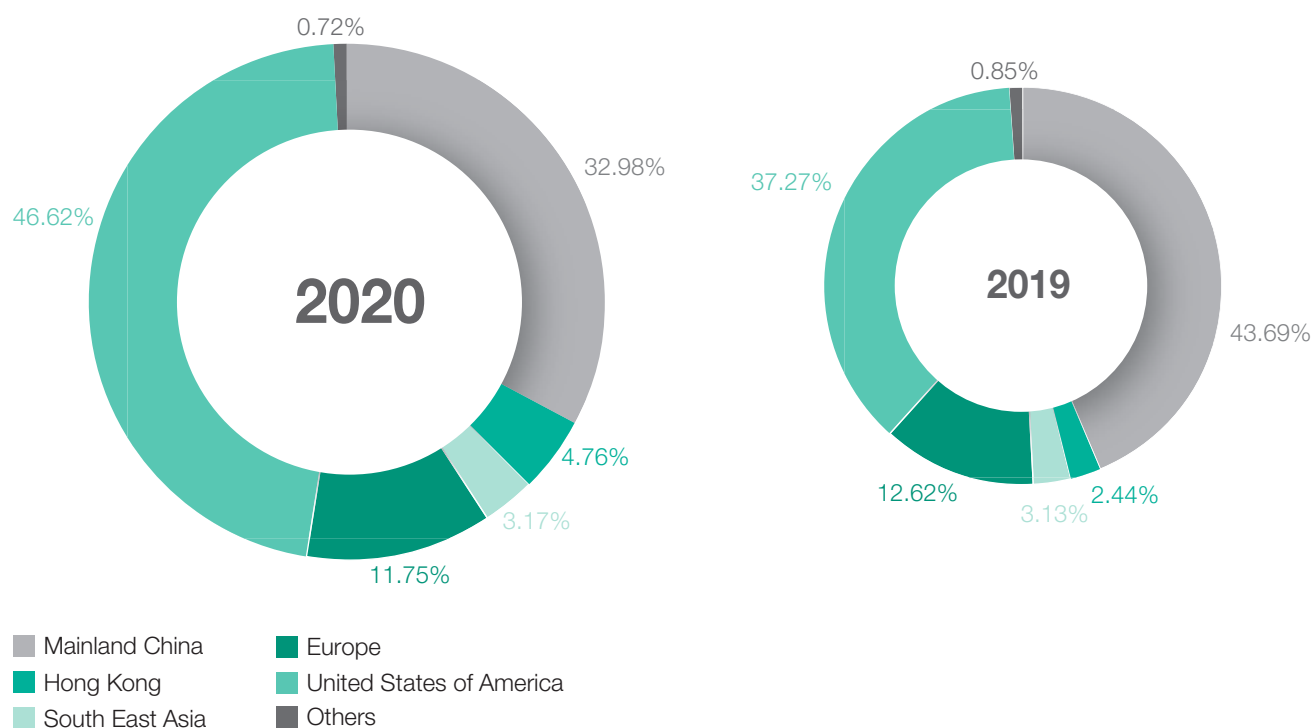
Principal Activities:

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

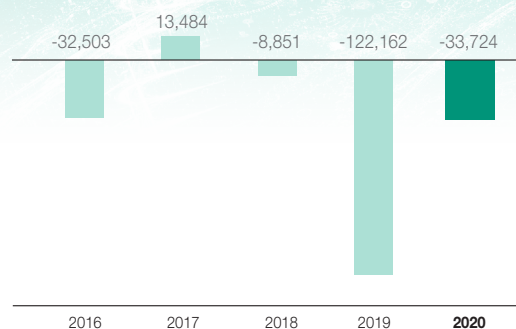
| Key Financial Data | 2020 | 2019 | 2018 | 2017 | 2016 |
|---------------------------------|----------------|---------|-----------|-----------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Total equity | 356,714 | 391,338 | 510,288 | 426,207 | 399,892 |
| Total assets | 629,340 | 727,592 | 1,011,740 | 1,069,211 | 894,853 |
| Total liabilities | 272,626 | 336,254 | 501,452 | 643,004 | 494,961 |
| Net borrowings | 7,838 | 72,572 | 114,780 | 173,757 | 191,612 |
| Capital expenditure | 7,345 | 25,817 | 101,575 | 108,771 | 89,395 |
| Gearing ratio (net) (%) | 1.25% | 9.97% | 11.34% | 16.25% | 21.41% |
| Finance costs over turnover (%) | 2.30% | 2.43% | 1.24% | 1.11% | 1.37% |

Sales Breakdown by Geographical Locations



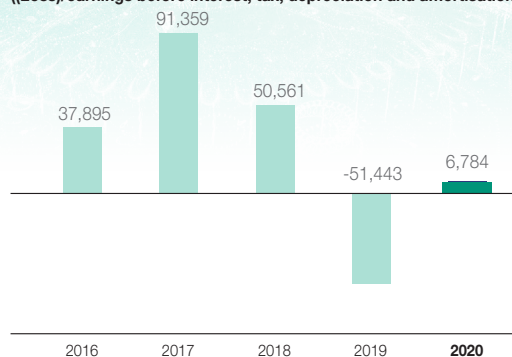
Financial Highlights

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

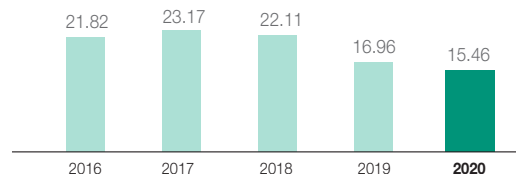


EBITDA (RMB'000)

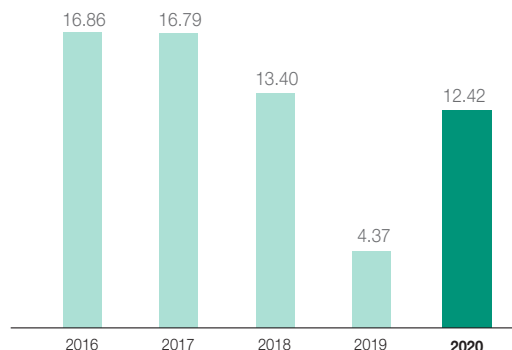
((Loss)/earnings before interest, tax, depreciation and amortisation)



Net Tangible Assets Per Share (RMB cents)

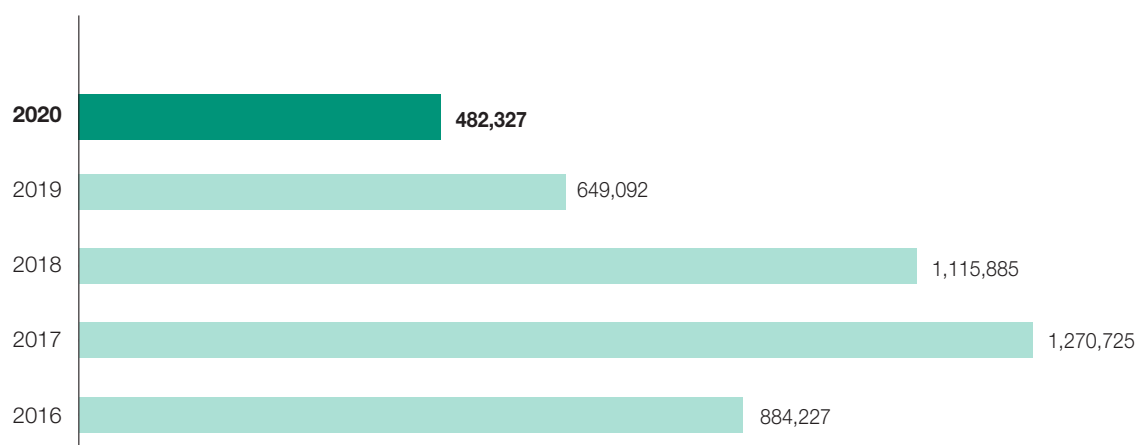


Gross Profit Margin (%)



Sales Breakdown by Business Segments

(RMB'000)



| (RMB'000) | 2020 | 2019 | 2018 | 2017 | 2016 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Plastic injection and moulding | 158,115 | 356,006 | 504,558 | 552,578 | 503,483 |
| Assembling of electronic products | 301,160 | 250,503 | 546,063 | 646,787 | 319,151 |
| Mould design and fabrication | 23,052 | 42,583 | 65,264 | 71,360 | 61,593 |

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 2020.

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 RMB482.33 million as compared to RMB649.09 million in the previous financial year, representing a decrease of 25.69%. The Group's gross profit and gross profit margin increased from RMB28.34 million to RMB59.91 million and from 4.37% to 12.42% respectively. Loss attributable to owners of the Company recorded at RMB33.72 million as compared to loss of RMB122.16 million in the previous financial year.

DIVIDENDS

The Board does not recommend any payment of dividend for the financial year ended 31 July 2020 (2019: Nil) at the forthcoming annual general meeting of the Company.

FUTURE PROSPECTS AND CHALLENGES

The global economy is facing with unprecedented situation due to the outbreak of COVID-19 pandemic in early January 2020 resulting in restrictions on travelling imposed by various countries and reduction in economic activities. The pandemic has hit various industries and created significant uncertainty in the global business environment.

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

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 RMB482.33 million, representing a decrease of RMB166.76 million or 25.69% from RMB649.09 million in the previous year. The major contributor of the Group's revenue was assembling of electronic products division which accounted for 62.44% (2019: 38.59%) of the Group's revenue, and the remaining from plastic injection and moulding division, and mould design and fabrication division which accounted for 32.78% (2019: 54.85%) and 4.78% (2019: 6.56%) of the Group's revenue respectively.

Gross profit increased by RMB31.57 million and recorded at RMB59.91 million, representing 12.42% of its revenue during the financial year as compared to gross profit of RMB28.34 million, representing 4.37% of its revenue in the previous year.

Plastic Injection and Moulding

The Group recorded a revenue of RMB158.12 million for this segment as compared to RMB356.01 million for the corresponding financial year in 2019, representing a significant decrease of RMB197.89 million or 55.59%. The decrease was mainly due to a decrease in the sales orders caused by current cautious business and economic environment.

Assembling of Electronic Products

This segment recorded a revenue of RMB301.16 million, representing an increase of RMB50.66 million or 20.22% from RMB250.50 million for the corresponding financial year in 2019. The increase was mainly due to the increase in the sales orders placed by two existing customers.

Mould Design and Fabrication

The mould design and fabrication segment recorded a revenue of RMB23.05 million, representing a decrease of RMB19.53 million or 45.87% as compared to RMB42.58 million for the corresponding financial year in 2019, as some customers have delayed in launching their new models as a result of global market uncertainty.

Other Losses – Net

During the financial year, the Group recorded other net losses of RMB26.56 million as compared to RMB44.95 million for the corresponding financial year in 2019, which comprised mainly net gain on disposal of property, plant and equipment and right-of-use assets of RMB2.11 million, which was offset by a provision of impairment of RMB16.41 million on property, plant and equipment, a provision of impairment of RMB10.52 million on right-of-use assets and net foreign exchange losses of RMB1.74 million.

Management Discussion and Analysis of Results of Operations

The trade war between the United States and China has created uncertainty in the business environment in China. In light of that, the management of the Group has decided to cease operation of certain manufacturing lines. As identified by the management of the Group, certain machinery and equipment (included in property, plant and equipment and right-of-use assets) with a carrying amount of RMB59.04 million were not expected to be used in production in the future. The management of the Group obtained third party quotations for second-hand market value (less costs of disposal) of these property, plant and equipment and right-of-use assets as reference of their fair value less costs of disposal in determining the recoverable amount of RMB32.11 million. For the year ended 31 July 2020, impairment losses of property, plant and equipment and right-of-use assets of RMB16.41 million and RMB10.52 million were recognised in the consolidated income statement in accordance with the impairment assessment, respectively (2019: Impairment on property, plant and equipment of RMB36.49 million). The reason for the higher impairment loss on property, plant and equipment for the year ended 31 July 2019 was primarily due to the cessation of operation of certain manufacturing lines in May 2019, which had led to a substantial impairment loss recognised on property, plant and equipment which were not expected to be used in the future with a carrying amount of approximately RMB43.30 million.

Distribution Costs

Distribution costs for the financial year amounted to RMB9.73 million, representing a decrease of RMB6.60 million or 40.42% from RMB16.33 million in the previous financial year. The decrease in distribution costs was mainly due to the decrease in distribution staff costs.

General and Administrative Expenses

General and administrative expenses amounted to RMB53.88 million for the financial year, representing a decrease of RMB23.82 million or 30.66% as compared to RMB77.70 million for the corresponding financial year in 2019. The decrease was primarily due to lower human resources expenses of RMB11.93 million and research and development expenses of RMB3.64 million during the financial year.

Finance Costs – Net

The net finance costs for the year decreased by 27.64% to RMB10.26 million (2019: RMB14.18 million). The decrease was mainly due to lower interest-bearing borrowings during the financial year.

Management Discussion and Analysis of Results of Operations

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, loans from a director and lease liabilities. As at 31 July 2020, the Group had cash and cash equivalents and restricted bank balances of RMB165.67 million (2019: RMB138.34 million), of which RMB61.24 million (2019: RMB64.91 million) was pledged to banks for the facilities granted to the Group. 59.91%, 39.98% and 0.10% 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 2020, the Group had outstanding interest-bearing borrowings including lease liabilities and loans from a director of RMB173.51 million (2019: RMB210.91 million). The total borrowings including lease liabilities and loans from a director were denominated in USD (20.99%), RMB (62.72%) and HK\$ (16.29%), and the maturity profile is as follows:

| Repayable | As at 31 July 2020 | | As at 31 July 2019 | |
|--|--------------------|---------------|--------------------|--------|
| | RMB million | % | RMB million | % |
| Within one year | 134.31 | 77.41 | 187.69 | 89.00 |
| After one year but within two years | 39.20 | 22.59 | 23.01 | 10.91 |
| After two years but within five years | – | – | 0.21 | 0.09 |
| Total borrowings including lease liabilities and loans from a director | 173.51 | 100.00 | 210.91 | 100.00 |
| Cash and cash equivalents and restricted bank balances | (165.67) | | (138.34) | |
| Net borrowings including lease liabilities and loans from a director | 7.84 | | 72.57 | |

The total net interest-bearing borrowings including lease liabilities and loans from a director of the Group recorded at RMB7.84 million (2019: RMB72.57 million), representing 1.25% (2019: 9.97%) of total assets and 2.20% (2019: 18.54%) of total equity.

Management Discussion and Analysis of Results of Operations

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 lease liabilities and loans from a director less cash and cash equivalents and restricted bank balances. Total capital is calculated as total equity attributable to owners of the Company plus net borrowings including lease liabilities and loans from a director. The gearing ratio of the Group was 2.15% as at 31 July 2020 (2019: 15.64%).

As at 31 July 2020, the Group's net current assets were RMB63.98 million (2019: RMB13.09 million). As at 31 July 2020, the Group has undrawn bank facilities of RMB176.68 million for working capital purposes.

CAPITAL STRUCTURE

As at 31 July 2020, the Group's total equity attributable to owners of the Company was RMB356.71 million (2019: RMB391.34 million). Total assets of the Group amounted to RMB629.34 million (2019: RMB727.59 million), 51.38% (2019: 53.62%) of which comprised property, plant, equipment and right-of-use assets.

CHARGES ON GROUP ASSETS

As at 31 July 2020, the Group's secured banking facilities, including trade finance, overdrafts and bank loans, totaling RMB305.24 million (2019: RMB437.72 million) were secured by (i) bank deposits of the Group of RMB61.24 million (2019: RMB64.91 million); (ii) trade receivables of the Group of RMB28.36 (2019: RMB51.26 million); (iii) none of net book value of building of the Group (2019: RMB168.45 million); (iv) none of net book value of plant and machinery of the Group (2019: RMB11.30 million); and (v) none of net book value of land use rights of the Group (2019: RMB13.35 million).

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

The Group did not conduct any significant investments, material acquisitions or disposals. The Group has been streamlining its operation over the years with an aim to improve the Group's financial position by adopting a light asset operation and lower geared structure and higher liquidity. As at the date of this Annual 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 2020.

Management Discussion and Analysis of Results of Operations

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 RMB1.74 million (2019: RMB0.53 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 trade receivables and cash and cash equivalents 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 2020, the Group had a total of 935 employees (2019: 1,706). 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) for the financial year amounted to RMB108.30 million (2019: RMB161.02 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.

THE COVID-19 PANDEMIC'S IMPACT

The outbreak of COVID-19 has expanded globally and the prevention and control measures to combat the disease have continued to be implemented by different countries. As at the date of this Annual report, there was no material negative impact on export and sales of product for the Group due to the outbreak of COVID-19.

The Directors will continue to closely monitor the development of the COVID-19 and assess its impact on the financial position, and operational results of the Group. At present, the Group does not foresee any material change in its exposures to credit risk and liquidity risk. The Group has remained to be financially stable as at 31 July 2020 and experienced no material recovery problem.

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 2020 requiring disclosure in this Annual report.

Environmental, Social and Governance (ESG) Report

ABOUT THIS REPORT

This Report outlines the Environmental, Social and Governance (“ESG”) performance of V.S. International Group Limited (the Group) with its philosophy, approach and achievements to create value for the stakeholders during the financial year ended 31 July 2020.

The scope of this report covers the Group’s key business operations in Hong Kong and Zhuhai, which encompasses 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 2019 to 31 July 2020.

The Group gives credence to that sustainability is key to its business success and a business approach to creating long-term value. 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 has been maintaining an open and transparent dialogue with stakeholders. We start by gathering a better understanding of their expectations and 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, including employees, customers, regulators, suppliers, shareholders, and local communities, through staff meetings, customer service channels, Annual General Meeting, community services etc. on a regular basis. This helps gauge the expectations of the Group’s key stakeholders and collect feedback from them to guide the Group in formulating and 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, as obtained from the stakeholder engagement activities.

ENVIRONMENTAL PROTECTION

The Group strives to operate its businesses in an environmentally responsible way through minimising environmental emissions, improving resource efficiency and maintaining no non-compliance of significant local environmental legislations.

Emissions

An environmental management system is in line with local and international standards such as ISO14001:2015 to monitor production processes in the production facility. As a commitment to reduce air emissions, we have introduced 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 which, 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 the production of new products, as well as reusing and recycling of residual plastics for packaging.

Use of Resources

The Group endeavours to reduce our energy consumption intensity by exploring alternatives, renewable sources and promoting energy conservation, as energy use in terms of electricity consumption account for the vast majority of resource use and produces greenhouse gas emissions.

A team of independent third-party specialist is appointed periodically 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 8,915,904 kWh of electricity, of which 4,487,904 kWh was consumed in the Group's production process. The remaining 4,428,000 kWh of electricity was sold to the local power grid. Currently, solar energy provides about 20% 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 workstations 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.

Environmental, Social and Governance (ESG) Report

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. Although there is no issue in sourcing water, employees are encouraged to conserve water from an individual perspective, and find ways to use water more wisely in production to cultivate water-saving habits. During the year, the decrease in water consumption and water consumption intensity showcased the water efficiency improvements in the operations.

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 has been renewed this year to indicate the Group's effort 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 are committed to strengthen green production and maintain an environmental quality assurance system. 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 | 2018/19 | 2019/20 |
|--|---------------------------------|-------------------------|------------|
| Nitrogen oxides (NO _x) emissions | Kg | 2,842 | 1,748 |
| Sulphur oxides (SO _x) emissions | Kg | 4 | 3 |
| Particulate Matter (PM) emissions | Kg | 226 | 144 |
| Total greenhouse gas (GHG) emissions | Tonne CO ₂ e | 23,176 | 11,549 |
| Scope 1 – Direct emissions and removals | Tonne CO ₂ e | 988 | 677 |
| Scope 2 – Energy indirect emissions | Tonne CO ₂ e | 22,188 | 10,872 |
| Total hazardous waste | Tonne | 5 | 5 |
| Total non-hazardous waste produced | Tonne | 229 | 208 |
| Total energy consumption | kWh | 38,116,958 | 23,678,197 |
| Total energy consumption intensity | | | |
| By revenue | kWh/Revenue RMB'000 | 58.72 | 49.09 |
| Total direct energy consumption | kWh | 8,689,729 ¹ | 6,235,417 |
| Gasoline/Petrol | kWh | 205,534 | 140,814 |
| Diesel | kWh | 2,545,777 | 1,593,519 |
| Liquefied petroleum gas | kWh | / | 13,180 |
| Renewable energy | kWh | 5,938,418 ¹ | 4,487,904 |
| Total indirect energy consumption | kWh | 29,427,229 ¹ | 17,442,780 |
| Purchased electricity | kWh | 29,427,229 ¹ | 17,442,780 |
| Water consumption | m ³ | 517,717 | 380,622 |
| Water consumption intensity | | | |
| By revenue | m ³ /Revenue RMB'000 | 0.80 | 0.79 |
| Total packing material | Tonne | 9,048 | 15,141 |
| Total packing material intensity | | | |
| By revenue | Tonne/Revenue RMB'000 | 0.01 | 0.03 |

¹ FY2018/19 figures have been reclassified to reflect categorisation of renewable energy.

EMPLOYMENT AND LABOUR PRACTICES

Employment

People-first that cares and focuses on the employee is one of core sets of philosophy of the Group's human resources strategy. The Group values the efforts each employee makes and their contributions to the Group's consistent delivery of quality solutions to customers, as well as sustaining the continuous business growth.

The Group's human resources policies 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. The Group 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. In November 2019, our team was awarded "Best team of the Year" in the basketball competition of Zhuhai High-tech Zone, which recognizes the spirit of teamwork within departments. Those competitions and activities assist in releasing stress and easing work burden at the workplace.

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 promote equal opportunity is the recruitment of racial and ethnic minorities to support racial diversity and inclusion in the workplace. 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 – certified Occupational Health and Safety Management Systems. 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.

During the COVID-19 pandemic, the Group strictly aligns with government's prevention and control strategies, and performed precautionary measures to protect the health and safety of the employees. For example, specific measures in health surveillance, quarantine and isolation treatment, and healthcare training are in place to ensure that staff are staying alert to the situation and working in safe environments. Also, employees are provided with health guidance and advice on the prevention of pneumonia and respiratory tract infection. These guidance include the wearing a mask, maintaining appropriate social distance (at least 1 metre), and disposing of used masks properly.

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 groom employees for providing premium quality service and maintain 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.

Trainings and guidelines on Prevention of COVID-19 are provided to employees so that they uphold and maintain appropriate hygiene standards and are competent to perform their duties in a safe and healthy manner at the workplace. The training outlines a series of preventive measures to minimise potential risks of virus transmission, which include clinical features, mode of transmission and incubation period, the proper use of mask, etc. It provides step-by-step procedures for wearing masks, monitoring of body temperature, and performing hand hygiene. The training ensures the employee keep high awareness of the virus and maintain good personal hygiene as well as build up good body resistance.

To pursue continual improvement in our training programmes, the Group regularly review the adequacy and quality of our training resources. Feedback is solicited from participants to enhance training quality.

Environmental, Social and Governance (ESG) Report

Labour Standards

Employment of child and forced labour are 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 stable 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 one of the prime consideration factors 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, such as pursuing the well-being of their employees, 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.

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 cybersecurity, 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 to keep high awareness of customer data privacy and protection.

Anti-corruption

During the financial year, the Group was 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). We uphold high standards of business ethics, conduct and integrity and stands against any forms of bribery, extortion, fraud and money laundering.

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

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

Environmental, Social and Governance (ESG) Report

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.

V.S. Charitable Foundation, recognised by the local government of the PRC and listed on the Zhuhai Charity Federation website, aims to raise funds in support of those in need. Over the years, donations were made through the Foundation to various organisations supporting the elderly, education institutions, and families living in poverty. The Group also donated 12 air purifiers to the Central Hospital of Wuhan and 3 air purifiers to General Hospital of Huarun WISCO to help Hubei citizens fight the virus and go through hardships during the COVID-19 pandemic.

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

The Group recognises the importance of regulatory compliance and has established respective preventive, monitoring and control measures to ensure compliance with relevant laws and regulations. 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.

The Group observe closely the laws and regulations relevant to our businesses and make full efforts in meeting regulatory compliance. 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 62, 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 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 64, 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 Mr. Gan Tiong Sia, the brother-in-law of Mr. Beh Kim Ling, and the uncle of Mr. Beh Chern Wei.

Mr. ZHANG Pei Yu, aged 82, 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.

Directors and Senior Management Profile

Mr. BEH Chern Wei, aged 34, 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 is responsible for the financial management, 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, 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 60, 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 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 69, 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 61, 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.

Ms. FU Xiao Nan, aged 50, was appointed as an independent non-executive Director on 12 June 2015. Ms. Fu holds a master's degree in finance and has over 20 years of investment banking experience in the capital markets of the PRC. She is a sponsor representative registered with China Securities Regulatory Commission since 2007.

Ms. Fu is current a partner of Phoenix Investment Company, which is incorporated in the PRC since March 2016. She joined Huatai United Securities Co., Ltd. in May 2011 and left in March 2016. 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).

Directors and Senior Management Profile

SENIOR MANAGEMENT OF THE GROUP

Mr. CHONG Chin Siong, aged 53, 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 25 years experience in internal audit, corporate finance and financial management in a number of public listed companies in Malaysia.

Mr. SOH Cheah Tuck, aged 49, 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 20 years of experience in the administrative functions of operation management.

Mr. LOW Hang Vow, aged 47, 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 57, 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 50, 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 2020.

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 four executive Directors namely Mr. Beh Kim Ling as the chairman, Mr. Gan Sem Yam, 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 2020, 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 2019 and matters to be considered at the 2019 annual general meeting;
- (2) reviewed and approved corporate strategies of the Group for the financial year ending 31 July 2021;
- (3) approved the interim results for the six months ended 31 January 2020;
- (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 2019 and for the nine months ended 30 April 2020 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 2020 are as follows:

| | Attendance |
|---|-------------------|
| Executive Directors | |
| Mr. Beh Kim Ling (<i>chairman</i>) | 4/4 |
| Mr. Gan Sem Yam | 4/4 |
| Madam Gan Chu Cheng (<i>passed away on 19 March 2020</i>) | 1/4 |
| 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.

Corporate Governance Report

Details of the Directors' attendance records at the annual general meeting of the Company, being the only general meeting held during the financial year ended 31 July 2020, are as follows:

| | Attendance |
|---|-------------------|
| Executive Directors | |
| Mr. Beh Kim Ling (<i>chairman</i>) | 1/1 |
| Mr. Gan Sem Yam | 1/1 |
| Madam Gan Chu Cheng (<i>passed away on 19 March 2020</i>) | 0/1 |
| Mr. Zhang Pei Yu | 0/1 |
| Mr. Beh Chern Wei | 1/1 |
| Non-executive Director | |
| Mr. Gan Tiong Sia | 1/1 |
| Independent non-executive Directors | |
| Mr. Diong Tai Pew | 1/1 |
| Mr. Tang Sim Cheow | 1/1 |
| Ms. Fu Xiao Nan | 0/1 |

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 2020, 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 Provision for bribery and corruption to ensure that the directors fully understand their responsibilities 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, Mr. Beh Chern Wei, Mr. Gan Tiong Sia, and Mr. Diong Tai Pew attended such training session. Mr. Zhang Pei Yu, Mr. Tang Sim Cheow and 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 (chairman) and Mr. Tang Sim Cheow, and one executive Director, namely Mr. Beh Chern Wei (appointed as a member on 26 March 2020). It was established by the Board with effect from 24 March 2012 and its duties are clearly defined in its terms of reference which have been prepared and adopted according to the Code Provisions.

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

Corporate Governance Report

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

The Board has also adopted a nomination policy (“Nomination Policy”) during the financial year ended 31 July 2020. 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 2020, 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 2020 are as follows:

| | Attendance |
|---|-------------------|
| Mr. Diong Tai Pew (<i>Chairman</i>) | 1/1 |
| Mr. Tang Sim Cheow | 1/1 |
| Madam Gan Chu Cheng (<i>passed away on 19 March 2020</i>) | 1/1 |
| Mr. Beh Chern Wei (<i>appointed on 26 March 2020</i>) | – |

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, 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 2020, 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 2019.

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 2020 is set out below:

| Remuneration band (HK\$) | Number of individuals |
|--------------------------|-----------------------|
| Nil to 1,000,000 | 5 |

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

Details of attendance of each member of the Remuneration Committee during the financial year ended 31 July 2020 are as follows:

| | Attendance |
|-------------------------------------|------------|
| Ms. Fu Xiao Nan (<i>chairman</i>) | 1/1 |
| Mr. Tang Sim Chow | 1/1 |
| Mr. Beh Kim Ling | 1/1 |

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) currently comprises three independent non-executive Directors, namely Mr. Tang Sim Cheow (chairman), Mr. Diong Tai Pew 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 2020 are as follows:

| | Attendance |
|--|-------------------|
| Mr. Tang Sim Cheow (<i>chairman</i>) | 4/4 |
| Mr. Diong Tai Pew | 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.

Corporate Governance Report

AUDITORS' REMUNERATION

During the financial year ended 31 July 2020, 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 2020 | 1,472,000 |
| Audit fee for the statutory audit of the financial statements of the Company's subsidiaries in the PRC for the year ended 31 December 2019 | 248,000 |
| Non-audit services | |
| Fee for tax consultancy services of the Company's subsidiaries in the PRC and other non-audit services | 209,000 |
| | <hr/> |
| | 1,929,000 |

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 2020, 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 58 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.

Corporate Governance Report

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 2020.

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 2020, 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 2020.

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.

Corporate Governance Report

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
Tel: (852) 2862 8555
Fax: (852) 2529 6087
Contact us: www.computershare.com/hk/contact

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 2020.

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 2020.

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 2020 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.

Report of the Directors

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 | 47% | – |
| Five largest customers in aggregate | 79% | – |
| The largest supplier | – | 12% |
| Five largest suppliers in aggregate | – | 30% |

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 2020 and the state of the Group's affairs as at 31 July 2020 are set out in the consolidated financial statements of the Group on pages 65 to 140 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 2020 (2019: Nil).

The Board adopted a dividend policy ("Dividend Policy") during the financial year ended 31 July 2020. 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

Charitable and other donations made by the Group during the financial year amounted to RMB0.03 million (2019: Nil).

FIXED ASSETS

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

SHARE CAPITAL

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

OTHER DEFICITS

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

DISTRIBUTABLE RESERVES

As at 31 July 2020, 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 RMB233,945,000 (2019: RMB244,267,000). 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 (*passed away on 19 March 2020*)
Zhang Pei Yu
Beh Chern Wei

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew
Tang Sim Cheow
Fu Xiao Nan

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

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Beh Kim Ling, Mr. Gan Sem Yam, Mr. Zhang Pei Yu, and Mr. Beh Chern Wei, 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 2020, 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 | 158,904,532 Shares (L) | 6.89% |
| | V.S. Corporation (Hong Kong) Co., Limited ("VSHK") | Beneficial owner | 3,750,000 non-voting deferred shares of HK\$1 each (L) | 5.00% |
| | VS Berhad | Beneficial owner | 148,950,993 ordinary shares (L) | 8.03% |

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

| Name of Director (Note 1) | The Company/name of associated corporation | Capacity | Number and class of securities (Note 2) | Approximate percentage of interest |
|-------------------------------------|---|------------------|--|---|
| Gan Sem Yam | The Company | Beneficial owner | 44,671,395 Shares (L) | 1.94% |
| | VSHK | Beneficial owner | 3,750,000 non-voting deferred shares of HK\$1 each (L) | 5.00% |
| | VS Berhad | Beneficial owner | 85,178,377 ordinary shares (L) | 4.59% |
| Gan Chu Cheng (Note 3) | 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 Berhad | Beneficial owner | 129,232,125 ordinary shares (L) | 6.97% |
| Zhang Pei Yu | The Company | Beneficial owner | 2,000 Shares (L) | 0.00% |

Report of the Directors

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

| Name of Director (Note 1) | The Company/name of associated corporation | Capacity | Number and class of securities (Note 2) | Approximate percentage of interest |
|-------------------------------------|---|------------------|--|---|
| Beh Chern Wei | The Company | Beneficial owner | 27,000,000 Shares (L) | 1.17% |
| | VS Berhad | Beneficial owner | 22,350,000 ordinary shares (L) | 1.21% |
| 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) | 1.79% |
| 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% |
| | VS Berhad | Beneficial owner | 125,000 ordinary shares (L) | 0.01% |

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

Notes:

1. Mr. Beh Kim Ling is the 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. Madam Gan Chu Cheng passed away on 19 March 2020.

Save as disclosed above, none of the Directors and chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the SD Code, to be notified to the Company and the Stock Exchange.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the financial year ended 31 July 2020 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 32 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 2020, 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 32 to the consolidated financial statements of the Group and in the sub-section headed "Connected Transactions and Related Party Transactions" on pages 51 to 55 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 2020.

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 two years. Details of the Share Option Scheme are set out in note 26 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.

For the year ended 31 July 2020, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

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 2020.

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 2020 are set out in note 32 to the consolidated financial statements of the Group.

The Group had entered into the following continuing connected transactions during the financial year ended 31 July 2020, 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 (equivalent to approximately HK\$9,709,400) 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 (equivalent to approximately HK\$9,709,400) 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 VSAZH (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 2020 was RMB4,909,056 (equivalent to approximately HK\$5,642,593).

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 2020 was RMB5,177,000 (equivalent to approximately HK\$5,729,000).

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 amount of sales of the products from the Group to the VS Berhad Group pursuant to the New Master Supply Agreement for the year ended 31 July 2020 was RMB962,000 (equivalent to approximately HK\$1,064,000).

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 VS 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 B&E Holding Ltd. ("B&E")

On 18 March 2020, VSI (Zhuhai), VSAZH and VS Zhuhai, indirectly wholly-owned subsidiaries of the Company, entered into a sale and purchase agreement ("Agreement") with B&E, pursuant to which VSI (Zhuhai), VSAZH and VS Zhuhai have agreed to sell, and B&E has agreed to purchase certain machineries used for the manufacturing of relevant electronic products, parts and components at the consideration of US\$1,261,062 (equivalent to approximately RMB8,880,718).

As B&E is a company wholly-owned by Mr. Beh Kim Siea, who is a brother of Mr. Beh Kim Ling, an executive Director and the chairman of the Company, the brother-in-law of Madam Gan Chu Cheng (passed away on 19 March 2020), an executive Director, and the uncle of Mr. Beh Chern Wei, an executive Director. As such, Mr. Beh Kim Siea and B&E are associates of the Company. By virtue of the above, B&E is a connected person of the Company and the transaction 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 18 March 2020.

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 2020 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 2020.

Report of the Directors

NON-COMPETITION UNDERTAKINGS (CONTINUED)

For the financial year ended 31 July 2020, (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 2020, 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 2020 are set out in note 24 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 2020 is set out in note 8 to the consolidated financial statements of the Group.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 144 of this report.

PROPERTY

Particulars of the major properties and property interests of the Group are shown on page 143 of this report.

RETIREMENT SCHEMES

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

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") was established by the Board on 20 January 2002 and was re-constituted on 30 September 2004 and 24 March 2012 respectively. The role, function and composition of the Audit Committee are set out on page 35 of this report.

The Audit Committee has reviewed the Group's financial statements for the year ended 31 July 2020 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 2020.

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

24 September 2020

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF V.S. INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of V.S. International Group Limited (the “Company”) and its subsidiaries (“the Group”) set out on pages 65 to 140, which comprise:

- the consolidated statement of financial position as at 31 July 2020;
- 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 2020, 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 (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

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

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 matters identified in our audit are summarised as follows:

- Provision for inventories
- Impairment of property, plant and equipment and right-of-use assets

Key Audit Matters

How our audit addressed the Key Audit Matters

Provision for inventories

Our key procedures in relation to management's assessment of the provision for obsolete or slow moving inventory included:

Refer to note 2.11, note 4(b) and note 18 "Inventories" to the consolidated financial statements.

At 31 July 2020, the Group held inventories of RMB35,976,000 and the provision for obsolete or slow moving inventories was RMB11,317,000. 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 costs 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 significant management judgement and estimates involved in determining the provision for obsolete or slow moving inventories.

- 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.

Independent Auditor's Report

Key Audit Matters (Continued)

Impairment of property, plant and equipment and right-of-use assets

Refer to note 4(a) and note 14 to the consolidated financial statements.

The Group had RMB291,015,000 and RMB32,321,000 of property, plant and equipment and right-of-use assets ("PPE and ROU") as at 31 July 2020 respectively. The trade war between the United States and China created uncertainty in the business environment in China which has negative impact to the Group's business performance and management has carried out an impairment assessment on its PPE and ROU. The carrying amounts of the PPE and ROU are written down to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount.

Management has identified certain machinery and equipment (included in PPE and ROU) with a carrying amount of RMB59,037,000 which are not expected to be used in production in the future.

How our audit addressed the Key Audit Matters (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.

We evaluated and tested the impairment assessment of PPE and ROU by performing the following procedures:

- Enquired management on their basis of identifying PPE and ROU with impairment indicators and challenging the appropriateness of these judgements;
- Performed physical observation of the Group's factory operations to identify idle or obsolete machineries, if any;
- Enquired management about their basis of estimation of fair value less costs of disposal for the idle PPE and ROU and inspected the price quotes obtained from the third-party buyers;
- Interviewed one of the buyers to understand their experience and the terms and basis of their estimation of the price offer;

Key Audit Matters (Continued)

For these machinery and equipment, management estimated the recoverable amount of RMB32,105,000 based on their fair value less costs of disposal by making reference to quotations obtained from third-party buyers in the second-hand equipment and machinery trading market. Accordingly, impairment losses of PPE and ROU of RMB16,414,000 and RMB10,518,000, respectively, were recognised in the consolidated income statement.

For the remaining of the PPE and ROU (excluding land and buildings) with a carrying value of RMB113,135,000, management considered each business segment as a separately identifiable of cash-generating unit ("CGU") and performed impairment assessment by each CGU accordingly. The estimates of the recoverable amounts were based on the value-in-use calculations using discount cash flow projections with reference to the financial forecasts prepared by management, with major assumptions such as percentage changes in revenue and operating costs as well as pre-tax discount rate.

For the land and buildings of RMB178,096,000, management has assessed the recoverable amount based on its fair value less of costs of disposal with reference to the fair value of the land and buildings assessed by an independent professional valuer.

We focused on this area because significant judgement and estimation were involved in determining the recoverable amounts of the PPE and ROU.

How our audit addressed the Key Audit Matters (Continued)

- Compared the forecasted sales performance, estimated operating costs applied in the value-in-use calculations to the historical records and enquired of management in relation to key assumptions behind the changes and evaluated the key assumptions applied by comparing them to historical trends and our understanding of latest market information and conditions; and
- Recomputed the impairment loss calculation.

Based on our work performed, we found the impairment provision made by management to be supported by available evidence.

Independent Auditor's Report

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 is 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 HKSA's 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 HKSA's, 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.

Independent Auditor's Report

- 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, actions taken to eliminate threats or safeguard applied.

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 Mr. Yuen Kwok Kin Andrew.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24 September 2020

Consolidated Income Statement

For the year ended 31 July 2020

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|------|--------------------------|------------------|
| Revenue | 5 | 482,327 | 649,092 |
| Cost of sales | | (422,421) | (620,750) |
| Gross profit | | 59,906 | 28,342 |
| Other income | 6 | 7,134 | 3,207 |
| Other losses – net | 6 | (26,563) | (44,945) |
| Distribution costs | | (9,728) | (16,327) |
| General and administrative expenses | | (53,875) | (77,704) |
| Operating loss | 7 | (23,126) | (107,427) |
| Finance income | | 835 | 1,621 |
| Finance costs | | (11,098) | (15,802) |
| Finance costs – net | 8 | (10,263) | (14,181) |
| Loss before income tax | | (33,389) | (121,608) |
| Income tax expense | 9 | (335) | (554) |
| Loss for the year attributable to owners of the Company | | (33,724) | (122,162) |
| | | 2020 RMB cent | 2019 RMB cent |
| Loss per share attributable to owners of the Company during the year | | | |
| Basic and diluted | 13 | (1.46) | (5.29) |

The notes on pages 71 to 140 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2020

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|--|------|-----------------|-----------------|
| Loss for the year | | (33,724) | (122,162) |
| Other comprehensive loss for the year | | | |
| <i>Item that will not be reclassified subsequently to profit or loss:</i> | | | |
| Fair value loss on financial asset at fair value through other comprehensive income | 15 | (900) | (3,298) |
| Total comprehensive loss for the year and attributable to owners of the Company | | (34,624) | (125,460) |

The notes on pages 71 to 140 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 July 2020

| | Note | As at 31 July 2020 RMB'000 | As at 31 July 2019 RMB'000 |
|--|-------|-------------------------------------|-------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14(a) | 291,015 | 376,815 |
| Land use rights | 14(a) | – | 13,348 |
| Right-of-use assets | 14(b) | 32,321 | – |
| Other receivables and prepayments | 20 | 6,295 | 7,813 |
| Financial asset at fair value through other comprehensive income | 15 | 4,000 | 4,900 |
| Deferred income tax assets | 27 | 1,143 | 314 |
| | | 334,774 | 403,190 |
| Current assets | | | |
| Inventories | 18 | 24,659 | 49,250 |
| Contract assets | 19 | 11,846 | 5,205 |
| Trade and other receivables, deposits and prepayments | 20 | 84,078 | 128,925 |
| Amounts due from related parties | 32 | 8,313 | 2,682 |
| Restricted bank balances | 21 | 61,240 | 66,582 |
| Cash and cash equivalents | 22 | 104,430 | 71,758 |
| | | 294,566 | 324,402 |
| Total assets | | 629,340 | 727,592 |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 28 | 105,013 | 105,013 |
| Share premium | 28 | 306,364 | 306,364 |
| Other deficits | 29 | (54,663) | (20,039) |
| Total equity attributable to owners of the Company | | 356,714 | 391,338 |

Consolidated Statement of Financial Position

At 31 July 2020

| | Note | As at 31 July 2020 RMB'000 | As at 31 July 2019 RMB'000 |
|-------------------------------------|-------|-------------------------------------|-------------------------------------|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Loans from a director | 32 | 38,980 | 17,245 |
| Lease liabilities | 14(b) | 215 | – |
| Finance lease liabilities | 25 | – | 5,974 |
| Deferred income tax liabilities | 27 | 2,847 | 1,721 |
| | | 42,042 | 24,940 |
| Current liabilities | | | |
| Trade and other payables | 23 | 94,185 | 121,234 |
| Amounts due to related parties | 32 | 1,992 | 1,913 |
| Borrowings | 24 | 128,554 | 176,393 |
| Lease liabilities | 14(b) | 5,759 | – |
| Finance lease liabilities | 25 | – | 11,300 |
| Tax payables | | 94 | 474 |
| | | 230,584 | 311,314 |
| Total liabilities | | 272,626 | 336,254 |
| Total equity and liabilities | | 629,340 | 727,592 |

The consolidated financial statements on pages 65 to 140 were approved by the Board and Directors on 24 September 2020 and were signed on its behalf.

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

The notes on pages 71 to 140 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 July 2020

| | Note | Share capital RMB'000 (note 28) | Share premium RMB'000 (note 28) | Other (deficits)/ reserves RMB'000 (note 29) | Total equity RMB'000 |
|---|------|---------------------------------------|---------------------------------------|---|-------------------------|
| 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 | 15 | - | - | (3,298) | (3,298) |
| Total comprehensive loss | | - | - | (125,460) | (125,460) |
| Balance at 31 July 2019 | | 105,013 | 306,364 | (20,039) | 391,338 |
| Balance at 1 August 2019 | | 105,013 | 306,364 | (20,039) | 391,338 |
| Comprehensive loss | | | | | |
| Loss for the year | | - | - | (33,724) | (33,724) |
| Other comprehensive loss | | | | | |
| Change in value on financial asset at fair value through other comprehensive income | 15 | - | - | (900) | (900) |
| Total comprehensive loss | | - | - | (34,624) | (34,624) |
| Balance at 31 July 2020 | | 105,013 | 306,364 | (54,663) | 356,714 |

The notes on pages 71 to 140 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 July 2020

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 33(a) | 70,572 | 46,386 |
| Income tax paid | | (418) | (1,808) |
| Net cash generated from operating activities | | 70,154 | 44,578 |
| Cash flows from investing activities | | | |
| Payments for the purchase of property, plant and equipment | | (10,925) | (6,356) |
| Proceeds from sale of property, plant and equipment and right-of-use assets | 33(b) | 14,945 | 8,901 |
| Net proceeds on disposal of a subsidiary | | – | 26,716 |
| Interest received | | 835 | 1,621 |
| Net cash generated from investing activities | | 4,855 | 30,882 |
| Cash flows from financing activities | | | |
| Repayment of bank loans | | (122,437) | (49,906) |
| Decrease in restricted bank balances | | 5,342 | 1,442 |
| Increase in loans from a director | | 21,735 | 17,245 |
| Proceeds from new bank loans | | 117,628 | 84,925 |
| Net decrease in trust receipt loans | | (36,826) | (114,606) |
| Repayment of obligation under finance leases | | – | (10,890) |
| Principal and interest elements of lease payments | | (12,898) | – |
| Borrowing costs paid | | (8,677) | (15,802) |
| Net cash used in financing activities | | (36,133) | (87,592) |
| Net increase/(decrease) in cash and cash equivalents | | 38,876 | (12,132) |
| Cash and cash equivalents at beginning of year | | 55,311 | 67,443 |
| Cash and cash equivalents at end of year | | 94,187 | 55,311 |

The notes on pages 71 to 140 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

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622. The consolidated financial statements have been prepared under the historical cost basis, except for financial asset at fair value through other comprehensive income (“FVOCI”), which is measured at fair value.

(a) *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 2019:

| Standards | Subject of amendment |
|---|--|
| Amendments to annual improvements project | Annual improvements 2015-2017 Cycle |
| HKAS 19 (Amendments) | Plan amendment, curtailment or settlement |
| HKAS 28 (Amendments) | Long-term interests in associates or joint venture |
| HKFRS 9 (Amendments) | Prepayment features with negative compensation |
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over income tax treatments |

Except as disclosed in note 2.2 for the adoption of HKFRS16 “Leases” (“HKFRS 16”), the adoption of the above amendments to existing standards and interpretations does not have a material impact.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) *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 2020 reporting periods and have not been early adopted by the Group.

| Standards | Subject of amendment | Effective for annual periods beginning on or after |
|---|---|--|
| Conceptual framework for financial reporting 2018 | Revised conceptual framework for financial reporting | 1 January 2020 |
| HKFRS 3 (Amendments) | Definition of business | 1 January 2020 |
| HKAS 39, HKFRS 7 and HKFRS 9 (Amendments) | Interest rate benchmark reform | 1 January 2020 |
| HKAS 1 and HKAS 8 (Amendments) | Definition of material | 1 January 2020 |
| HKFRS 16 (Amendments) | COVID-19 related rent concessions | 1 June 2020 |
| Amendments to annual improvements project | Annual improvement 2018-2020 cycle | 1 January 2022 |
| HKAS 16 (Amendments) | Proceeds before intended use | 1 January 2022 |
| HKAS 37 (Amendments) | Cost of fulfilling a contract | 1 January 2022 |
| HKFRS 3 (Amendments) | Reference to the conceptual framework | 1 January 2022 |
| HKFRS 17 | Insurance contracts | 1 January 2023 |
| HKAS 1 (Amendments) | Presentation of financial statements on classification of liabilities | 1 January 2023 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s consolidated financial statements and also discloses the new accounting policy that has been applied from 1 August 2019, where they are different to those applied in prior periods.

(a) *Impact on consolidated financial statements*

The Group has adopted HKFRS 16 “Leases” from 1 August 2019, but has not restated comparative for the 2019 reporting period, as permitted under the specific transition approach in the standard. The reclassifications and the adjustment arising from HKFRS 16 are therefore recognised in the opening consolidated statement of financial position on 1 August 2019.

For leases previously classified as operating leases, all operating leases are related to short-term lease and will be recognised on a straight-line basis as expenses in profit or loss. There was no impact on the Group’s operating leases as at 1 August 2019 on adoption of HKFRS 16.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease assets and finance lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. Land use rights previously presented as separate item on the consolidated statement of financial position is also grouped as part of right-of-use assets with effect from 1 August 2019 on adoption of HKFRS 16.

The following table reconciles the operating lease commitments as disclosed as at 31 July 2019 to the opening balance for lease liabilities recognised as at 1 August 2019:

| | RMB'000 |
|--|---------|
| Operating lease commitments disclosed as at 31 July 2019 | 2,455 |
| Less: Short-term lease recognised on a straight-line basis as expenses | (2,455) |
| | — |
| Add: Finance lease liabilities recognised as at 31 July 2019 | 17,274 |
| Lease liabilities recognised as at 1 August 2019 | 17,274 |
| Of which are: | |
| Current lease liabilities | 11,300 |
| Non-current lease liabilities | 5,974 |
| | 17,274 |

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(a) Impact on consolidated financial statements (Continued)

For the property, plant and equipment acquired under finance leases, they were depreciated over the underlying assets' useful life if there is reasonable certainty that the Group will obtain ownership at the end of the lease term. The recognised right-of-use assets relate to types of assets as disclosed in note 14(b).

The following table shows the adjustments recognised for each individual line item upon the adoption of HKFRS 16. Line items that were not affected by the changes have not been included.

| Consolidated statement of financial position (extract) | As at 31 July 2019 As originally presented RMB'000 | Effects of adoption of HKFRS16 RMB'000 | As at 1 August 2019 RMB'000 |
|--|--|---|--------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 376,815 | (36,049) | 340,766 |
| Land use rights | 13,348 | (13,348) | – |
| Right-of-use assets | – | 49,397 | 49,397 |
| Current liabilities | | | |
| Lease liabilities | – | 11,300 | 11,300 |
| Finance lease liabilities | 11,300 | (11,300) | – |
| Non-current liabilities | | | |
| Lease liabilities | – | 5,974 | 5,974 |
| Finance lease liabilities | 5,974 | (5,974) | – |

There was no impact on the Group's segment disclosure as well as net loss after tax for the year ended 31 July 2020 as a result of adoption of HKFRS16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(b) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 August 2019 as short-term leases;
- the exclusion initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 “Determining whether an Arrangement contains a Lease”.

2.3 Principles of consolidation and equity accounting

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

(a) *Business Combination (Continued)*

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

(e) *Changes in ownership interests (Continued)*

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) *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.

2.4 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) *Group companies*

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

Until 31 July 2019, 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. Land use rights previously presented as a separate item on the consolidated statement of financial position are grouped as part of right-of-use assets with effect from 1 August 2019 as detailed in note 2.2(a).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

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.

2.8 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 of disposal 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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(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*

Equity Instruments

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.

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-net" in the consolidated income statement 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*

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 2.9(d). A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 lease liabilities 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.

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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 July 2019, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (note 14). Finance leases were capitalised at the lease’s inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss 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 was depreciated over the asset’s useful life or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (Continued)

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 31). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 August 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option or the Group will obtain the ownership at the end of the lease term, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases is recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.23 Revenue recognition

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

(a) Sales of goods

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (Continued)

(a) Sales of goods (Continued)

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.

2.24 Dividend distribution

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

2.25 Government grants

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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. 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.

(a) Foreign exchange risk

The Group mainly operates in Mainland China with most of the transactions settled in United States dollars ("US\$"), RMB and Hong Kong dollars ("HK\$"). 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\$ | | HK\$ | |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 |
| Trade and other receivables | 48,863 | 56,779 | 1,465 | 1,750 |
| Contract assets | 11,846 | 1,684 | - | - |
| Bank deposits | 11,240 | 10,862 | - | - |
| Amount due from related parties | 7,655 | 2,138 | - | - |
| Cash and cash equivalents | 88,015 | 45,440 | 163 | 171 |
| Trade and other payables | (19,208) | (44,236) | (2,373) | (2,921) |
| Interest-bearing borrowings | (15,473) | (31,333) | (10,243) | (16,447) |
| Loans from a director | (20,954) | (17,245) | (18,026) | - |
| Amount due to related parties | (230) | - | (401) | (209) |
| Overall net exposure | 111,754 | 24,089 | (29,415) | (17,656) |

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

At 31 July 2020, 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 RMB4,115,000 lower/higher (2019: post-tax loss for the year would have been approximately RMB830,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of financial assets and liabilities denominated in currencies other than the functional currency of the respective group entities.

At 31 July 2020, if RMB had weakened/strengthened by 5% against HK\$, with all other variables held constant, post-tax loss for the year would have been approximately RMB1,234,000 higher/lower (2019: post-tax loss for the year would have been approximately RMB743,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of financial assets and liabilities denominated in currencies other than the functional currency of the respective group entities.

(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 2020, 27% (2019: 20%) and 63% (2019: 58%) 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(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.

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 24 months 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 that basis, the loss allowances for both trade receivables and contract assets as at 31 July 2020 and 2019 were as follows:

| As at 31 July 2020 | 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 |
| Expected loss rate | 0.03% | 2.98% | 4.09% | 92.84% | |
| Gross carrying amount – | | | | | |
| Trade receivables | 60,922 | 637 | 113 | 1,588 | 63,260 |
| Loss allowance | 18 | 19 | 5 | 1,474 | 1,516 |
| Gross carrying amount – | | | | | |
| Contract assets | 11,850 | – | – | – | 11,850 |
| Loss allowance | 4 | – | – | – | 4 |

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)

| As at 31 July 2019 | Current RMB'000 | 1-30 days past due RMB'000 | 31-90 days past due RMB'000 | Over 90 days past due RMB'000 | Total RMB'000 |
|--|--------------------|----------------------------------|-----------------------------------|-------------------------------------|------------------|
| Expected loss rate | 0.02% | 1.80% | 2.45% | 89.41% | |
| Gross carrying amount – Trade receivables | 93,549 | 3,890 | 3,608 | 1,763 | 102,810 |
| Loss allowance | 18 | 70 | 88 | 1,578 | 1,754 |
| Gross carrying amount – Contract assets | 5,250 | – | – | – | 5,250 |
| Loss allowance | – | – | – | – | – |

The loss allowances for trade receivables and contract assets as at 31 July reconcile to the opening loss allowances as follows:

| | Contract assets | | Trade receivables | |
|---|-----------------|-----------------|-------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 |
| Opening loss allowance at 1 August | – | – | 1,754 | 757 |
| Increase/(decrease) in loan loss allowance recognised in profit or loss during the year | 4 | – | (3) | 997 |
| Receivables written off during the year as uncollectible | – | – | (235) | – |
| Closing loss allowance at 31 July | 4 | – | 1,516 | 1,754 |

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 financial assets at amortised 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.

Other receivables excluding prepayments

Included in “other receivables, deposits and prepayments” were deposits of RMB34,000,000 in which the directors are of opinion that the deposits are in default, provision of RMB34,000,000 was made as at 31 July 2020 (2019: RMB34,000,000). See note 20 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 2020 and 2019.

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 2020 and 2019.

(c) Liquidity risk

Prudent liquidity management, after considering the expected market conditions and the global health issues, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

| | 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 2020 | | | | | | |
| Loans from a director (including interest payments) | – | 758 | 750 | 39,548 | – | 41,056 |
| Borrowings (including interest payments) | 131,635 | – | – | – | – | 131,635 |
| Lease liabilities | – | 4,071 | 2,226 | 217 | – | 6,514 |
| Trade and other payables | – | 87,060 | – | – | – | 87,060 |
| Amounts due to related parties | 1,992 | – | – | – | – | 1,992 |

At 31 July 2019

| | | | | | | |
|--|---------|---------|-------|--------|-----|---------|
| Loans from a director (including interest payments) | – | 393 | 375 | 17,418 | – | 18,186 |
| Borrowings (including interest payments) | 179,555 | – | – | – | – | 179,555 |
| Finance lease liabilities | – | 7,387 | 5,511 | 6,147 | 217 | 19,262 |
| Trade and other payables | – | 110,455 | – | – | – | 110,455 |
| Amounts due to related parties | 1,913 | – | – | – | – | 1,913 |

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

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets except for the cash and cash equivalents and restricted bank balance, details of which are disclosed in note 22 and 21. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings and loans from a director, details of which are disclosed in note 24 and note 32, respectively. 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 2020, 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 RMB523,000 higher/lower (2019: post-tax loss for the year would have been RMB747,000 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation (Continued)

No forward foreign exchange contract was entered as at 31 July 2019 and 2020.

There was no transfer of financial assets and liabilities in the fair value hierarchy classifications for the years ended 31 July 2020 and 2019.

The following table presents the Group's financial assets that are measured at fair value at 31 July 2020 and 2019.

| | 2020 | | | |
|---|--------------------|--------------------|--------------------|------------------|
| | 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 | – | – | 4,000 | 4,000 |
| | | | | |
| | 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 |

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, restricted bank balance and bank deposits. 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 2020 and 2019:

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-----------------|-----------------|
| Borrowings (note 24) | 128,554 | 176,393 |
| Loans from a director (note 32(d)) | 38,980 | 17,245 |
| Lease liabilities/finance lease liabilities (note 14(b) and note 25) | 5,974 | 17,274 |
| Less: Restricted bank balances and cash and cash equivalents (notes 21 and 22) | (165,670) | (138,340) |
| Net debt | 7,838 | 72,572 |
| Total equity | 356,714 | 391,338 |
| Total capital | 364,552 | 463,910 |
| Gearing ratio | 2% | 16% |

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 and right-of-use assets comprise a significant portion of the Group's total assets. They are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined and based on fair value less costs of disposal or value-in-use calculations as appropriate. To determine the recoverable amount based on fair value less costs of disposal, the Group quoted market prices when available or used independent appraisals. To determine the recoverable amount based on value-in-use calculations, the Group used cash flow projection discounted at an appropriate pre-tax discount rate. The pre-tax discount rate reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement. The cash flow projection also requires the use of judgement and estimation regarding the financial forecasts prepared by management with major assumptions such as percentage changes in revenue and operating costs. Management derives the required cash flow projection from historical results, internal business plans, the prevailing market trends and the expected remaining useful lives of the relevant assets. Changes to major assumptions and estimation could affect the value-in-use calculations and as a result affecting the Group's reported financial condition and results of operations. Additional information for the impairment assessment of PPE and ROU is disclosed in note 14.

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 companies

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 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:

| | 2020 RMB'000 | 2019 RMB'000 |
|-----------------------------------|-----------------|-----------------|
| Revenue | | |
| Plastic injection and moulding | 158,115 | 356,006 |
| Assembling of electronic products | 301,160 | 250,503 |
| Mould design and fabrication | 23,052 | 42,583 |
| | 482,327 | 649,092 |
| Timing of revenue recognition | | |
| At a point in time | 255,633 | 299,838 |
| Over time | 226,694 | 349,254 |
| | 482,327 | 649,092 |

The Group's customer base is diversified but includes three (2019: four) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the year ended 31 July 2020. These customers individually contributed 47%, 14% and 11% of the Group's revenue (2019: 29%, 18%, 12% 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 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 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 depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (CONTINUED)

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

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 2020 and 2019 is set out below.

| | Plastic injection and moulding | | Assembling of electronic products | | Mould design and fabrication | | Consolidated | |
|---|-----------------------------------|-----------------|--------------------------------------|-----------------|---------------------------------|-----------------|-----------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 |
| Revenue from external customers | 158,115 | 356,006 | 301,160 | 250,503 | 23,052 | 42,583 | 482,327 | 649,092 |
| Reportable segment result | 6,851 | (4,726) | 28,122 | (32,588) | (2,529) | (8,754) | 32,444 | (46,068) |
| Other segment information | | | | | | | | |
| Year ended 31 July | | | | | | | | |
| Depreciation and amortisation for the year | 16,812 | 29,299 | 5,884 | 14,543 | 1,099 | 2,370 | 23,795 | 46,212 |
| Impairment on property, plant and equipment | 12,997 | - | 2,500 | 29,903 | 917 | 6,590 | 16,414 | 36,493 |
| Impairment on right-of-use assets | 9,666 | - | 759 | - | 93 | - | 10,518 | - |
| Provision/(reversal) for impairment of inventories | 5,202 | (98) | 7,687 | 8,048 | (3,492) | 4,581 | 9,397 | 12,531 |
| Addition to non-current segment assets during the year | 1,822 | 12,240 | 5,172 | 2,912 | 351 | 5,885 | 7,345 | 21,037 |
| As at 31 July | | | | | | | | |
| Reportable segment assets | 220,838 | 323,777 | 60,110 | 74,561 | 22,421 | 31,544 | 303,369 | 429,882 |
| Reportable segment liabilities | 32,479 | 47,101 | 48,353 | 62,438 | 1,313 | 4,387 | 82,145 | 113,926 |

5 SEGMENT INFORMATION (CONTINUED)

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

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-----------------|-----------------|
| Revenue | | |
| Reportable segment revenue | 482,327 | 649,092 |
| Consolidated revenue | 482,327 | 649,092 |
| Profit or loss | | |
| Reportable segment profit/(loss) | 32,444 | (46,068) |
| Finance income | 835 | 1,621 |
| Finance costs | (11,098) | (15,802) |
| Unallocated depreciation and amortisation | (5,543) | (9,310) |
| Unallocated head office and corporate expenses | (50,027) | (52,049) |
| Consolidated loss before income tax | (33,389) | (121,608) |
| Assets | | |
| Reportable segment assets | 303,369 | 429,882 |
| Deferred income tax assets | 1,143 | 314 |
| Financial asset at fair value through other comprehensive income | 4,000 | 4,900 |
| Unallocated head office and corporate assets | 320,828 | 292,496 |
| Consolidated total assets | 629,340 | 727,592 |
| Liabilities | | |
| Reportable segment liabilities | 82,145 | 113,926 |
| Deferred income tax liabilities | 2,847 | 1,721 |
| Unallocated head office and corporate liabilities | 187,634 | 220,607 |
| Consolidated total liabilities | 272,626 | 336,254 |

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 (2019: five) major economic environments.

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

| | 2020 RMB'000 | 2019 RMB'000 |
|--------------------------|-----------------|-----------------|
| United States of America | 224,857 | 241,898 |
| Mainland China | 159,090 | 283,576 |
| Europe | 56,671 | 81,895 |
| Hong Kong | 22,940 | 15,881 |
| South East Asia | 15,296 | 20,321 |
| Others | 3,473 | 5,521 |
| | 482,327 | 649,092 |

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

6 OTHER INCOME AND OTHER LOSSES – NET

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-----------------|-----------------|
| Other income | | |
| Sales of scrap materials | 1,909 | 898 |
| Government grants and sundry income (Note) | 5,225 | 2,309 |
| | 7,134 | 3,207 |
| Other losses – net | | |
| Impairment on property, plant and equipment (note 14(a)) | (16,414) | (36,493) |
| Impairment on right-of-use assets (note 14(b)) | (10,518) | – |
| Net foreign exchange losses | (1,740) | (527) |
| Net gain/(loss) on disposal of property, plant and equipment and right-of-use assets | 2,109 | (11,977) |
| Gain on disposal of a subsidiary | – | 4,052 |
| | (26,563) | (44,945) |

Note: Government grants mainly represent grants received from the PRC government in subsidising the Group's general operations and new technology payments.

7 OPERATING LOSS

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

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-----------------|-----------------|
| Amortisation of land use rights (note 14(a)) | – | 403 |
| Auditors' remuneration | | |
| – Audit services | 1,720 | 1,743 |
| – Non-audit services | 209 | 243 |
| Cost of sales (Note) | 422,421 | 620,750 |
| Depreciation on property, plant and equipment (note 14(a)) | 25,654 | 55,119 |
| Depreciation on right-of-use assets (note 14(b)) | 3,684 | – |
| Expenses relating to short-term leases | 5,114 | 6,732 |
| (Reversal of loss allowance)/loss allowance on trade receivables | (3) | 997 |
| Loss allowance on contract assets | 4 | – |
| Provision for impairment of inventories (note 18) | 9,397 | 12,531 |
| Staff costs (note 10) | 116,133 | 170,611 |

Note: Cost of sales included staff costs, depreciation, provision for impairment of inventories and expenses relating to short-term leases, amounting to RMB117,680,000 (2019: RMB186,121,000) in aggregate, which are also included in the respective total amounts disclosed separately above for each type of the expenses.

8 FINANCE COSTS – NET

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-----------------|-----------------|
| Finance income | | |
| Bank interest income | (835) | (1,621) |
| Finance costs | | |
| Interest on bank borrowings | 7,792 | 12,542 |
| Interest on loans from a director | 1,445 | – |
| Interest expenses on lease liabilities | 1,598 | – |
| Finance charges on obligation under finance lease | – | 2,101 |
| Less: borrowing costs capitalised as construction in progress (note) | (238) | (433) |
| | 10,597 | 14,210 |
| Other finance charges | 501 | 1,592 |
| | 11,098 | 15,802 |
| Finance costs – net | 10,263 | 14,181 |

Note: During the year ended 31 July 2020, borrowing costs had been capitalised at the Group's weighted average effective interest rate of 4.8% per annum (2019: 5.4% per annum) for construction in progress.

Notes to the Consolidated Financial Statements

9 INCOME TAX EXPENSE

| | 2020 RMB'000 | 2019 RMB'000 |
|---|-----------------|-----------------|
| Current income tax | | |
| Current PRC corporate income tax | (38) | (1,104) |
| Adjustment to provision in respect of prior years | - | 641 |
| | (38) | (463) |
| Deferred income tax | | |
| Origination and reversal of temporary differences (note 27) | (297) | (91) |
| | (335) | (554) |

No provision has been made for Hong Kong profits tax as the Group did not earn income subject to Hong Kong profits tax during the years ended 31 July 2020 and 2019.

The Group's subsidiaries established in the PRC are subject to a corporate income tax rate of 25%, except for two subsidiaries. One of which is fully exempt from corporate income tax 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. The other one subsidiary was certified as a High and New Technology Enterprise and was entitled to a concessionary tax rate of 15% from 1 January 2018 to 31 December 2020, which is entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

Pursuant to the relevant corporate income tax rules and regulations, 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.

9 INCOME TAX EXPENSE (CONTINUED)

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

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-------------------------------|-----------------|
| Loss before income tax | (33,389) | (121,608) |
| Tax calculated at the applicable domestic tax rate of respective companies | (8,228) | (30,397) |
| Tax effect of non-deductible expenses | 9,457 | 14,271 |
| Adjustment to provision in respect of prior years | – | (641) |
| Tax effect of tax losses not recognised | 592 | 17,382 |
| Tax effect on withholding tax of retained profits in the PRC subsidiaries | 1,126 | (61) |
| Utilisation of previously unrecognised tax losses | (2,612) | – |
| | 335 | 554 |

10 STAFF COSTS

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-------------------------------|-----------------|
| Salaries, wages and allowances | 100,685 | 152,956 |
| Contribution to retirement benefit schemes | 4,222 | 7,888 |
| Termination benefits | 11,226 | 9,767 |
| | 116,133 | 170,611 |

Staff costs include directors' remuneration totaling RMB7,838,000 (2019: RMB9,589,000) (note 11).

Subsidiaries of the Company operating in the PRC participate in a government pension scheme whereby the subsidiaries are required to pay annual contributions at rates from 13% to 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.

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

Notes to the Consolidated Financial Statements

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of directors for the year ended 31 July 2020 is set out below:

| | Fees RMB'000 | Salaries RMB'000 | Discretionary bonuses RMB'000 | Housing allowance RMB'000 | Share-based payments RMB'000 | Employer's contribution to a retirement benefit scheme RMB'000 | Remunerations paid or receivable in respect of accepting office as director RMB'000 | Other emoluments paid or receivable in respect of director's other services in connection with the management of the Company or its subsidiary undertakings RMB'000 | Total RMB'000 |
|--|-----------------|---------------------|-------------------------------------|---------------------------------|------------------------------------|--|--|---|------------------|
| Executive directors | | | | | | | | | |
| Beh Kim Ling | - | 4,924 | - | - | - | - | - | - | 4,924 |
| Beh Chem Wei | - | 820 | - | - | - | - | - | - | 820 |
| Gan Sem Yam | - | 371 | - | - | - | - | - | - | 371 |
| Gan Chu Cheng (Note) | - | 143 | - | - | - | - | - | - | 143 |
| Zhang Pei Yu | - | 736 | - | - | - | - | - | - | 736 |
| | - | 6,994 | - | - | - | - | - | - | 6,994 |
| Non-executive director | | | | | | | | | |
| Gan Tiong Sia | 162 | - | - | - | - | - | - | - | 162 |
| Independent non-executive directors | | | | | | | | | |
| Diong Tai Pew | 215 | - | - | - | - | - | - | - | 215 |
| Fu Xiao Nan | 215 | - | - | - | - | - | - | - | 215 |
| Tang Sim Cheow | 252 | - | - | - | - | - | - | - | 252 |
| | 682 | - | - | - | - | - | - | - | 682 |
| | 844 | 6,994 | - | - | - | - | - | - | 7,838 |

11 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

The remuneration of directors for the year ended 31 July 2019 is set out below:

| | Fees RMB'000 | Salaries RMB'000 | Discretionary bonuses RMB'000 | Housing allowance RMB'000 | Share-based payments RMB'000 | Employer's contribution to a retirement benefit scheme RMB'000 | Remunerations paid or receivable in respect of accepting office as director RMB'000 | Other emoluments paid or receivable in respect of director's other services in connection with the management of the Company or its subsidiary undertakings RMB'000 | Total 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 (Note) | - | 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 |

11 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

| | Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertakings RMB'000 | Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings RMB'000 | Total RMB'000 |
|---------------------------------|--|---|-------------------------|
| For the year ended 31 July 2020 | 844 | 6,994 | 7,838 |
| For the year ended 31 July 2019 | 815 | 8,774 | 9,589 |

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.

Note:

Madam Gan Chu Cheng passed away on 19 March 2020.

(b) Directors' retirement benefits

None of the directors receive any retirement benefits during the year (2019: Nil).

(c) Directors' termination benefits

None of the directors receive or will receive any termination benefits during the year (2019: Nil).

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

During the year ended 31 July 2020, the Company did not pay consideration to any third parties for making available directors' services (2019: Nil).

11 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)**(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

During the year ended 31 July 2020, 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 (2019: 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 (2019: Nil).

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments three (2019: three) are directors whose emoluments are disclosed in note 11. The aggregate emoluments in respect of the remaining two (2019: two) individual are as follows:

| | 2020 | 2019 |
|-------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Salaries and other emoluments | 2,590 | 2,919 |

The emoluments of the two (2019: two) individuals with the highest emoluments are within the following bands:

| | Number of individuals | |
|-----------------------------|------------------------------|------|
| | 2020 | 2019 |
| HK\$500,001-HK\$1,000,000 | 1 | - |
| HK\$1,000,001-HK\$1,500,000 | - | 1 |
| HK\$1,500,001-HK\$2,000,000 | 1 | - |
| HK\$2,000,001-HK\$2,500,000 | - | 1 |

There were no amounts paid during the year ended 31 July 2020 (2019: 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.

Notes to the Consolidated Financial Statements

13 LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of RMB33,724,000 (2019: RMB122,162,000) and the weighted average number of ordinary shares in issue during the year as follows:

| | 2020 RMB'000 | 2019 RMB'000 |
|--|------------------|-----------------|
| Loss attributable to owners of the Company | <u>(33,724)</u> | (122,162) |
| | 2020 | 2019 |
| Weighted average number of ordinary shares in issue ('000) | <u>2,307,513</u> | 2,307,513 |
| Basic and diluted loss per share (RMB cent) | <u>(1.46)</u> | (5.29) |

For the years ended 31 July 2020 and 2019, diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary shares outstanding during the year.

14 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS AND LEASES

(a) Property, plant and equipment, and land use rights

| | Buildings RMB'000 | Leasehold improvements RMB'000 | Plant, moulds and machinery RMB'000 | Power generating machinery and equipment RMB'000 | Office equipment, furniture and fixtures RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Sub-total RMB'000 | Land use rights RMB'000 | Total RMB'000 |
|--|----------------------|--------------------------------------|---|---|--|------------------------------|--|----------------------|-------------------------------|------------------|
| Cost | | | | | | | | | | |
| 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 |
| At 1 August 2019 | 251,143 | 27,261 | 679,602 | 68,118 | 39,642 | 17,964 | 6,854 | 1,090,584 | 20,313 | 1,110,897 |
| Effect of adoption of HKFRS 16 (note 2.2) | - | - | (39,926) | - | - | - | - | (39,926) | (20,313) | (60,239) |
| Additions | - | - | 6,014 | - | 18 | 134 | 1,179 | 7,345 | - | 7,345 |
| Transfer | - | - | 6,854 | - | - | - | (6,854) | - | - | - |
| Disposals/written off | - | - | (155,327) | - | (5) | (2,910) | - | (158,242) | - | (158,242) |
| At 31 July 2020 | 251,143 | 27,261 | 497,217 | 68,118 | 39,655 | 15,188 | 1,179 | 899,761 | - | 899,761 |
| Accumulated depreciation, amortisation and impairment | | | | | | | | | | |
| 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 |
| At 1 August 2019 | 78,941 | 21,720 | 556,184 | 11,404 | 30,752 | 14,768 | - | 713,769 | 6,965 | 720,734 |
| Effect of adoption of HKFRS 16 (note 2.2) | - | - | (3,877) | - | - | - | - | (3,877) | (6,965) | (10,842) |
| Charge for the year | 7,051 | 1,112 | 11,766 | 3,318 | 1,511 | 896 | - | 25,654 | - | 25,654 |
| Disposals/written off | - | - | (140,591) | - | (4) | (2,619) | - | (143,214) | - | (143,214) |
| Impairment | - | - | 14,075 | - | 1,516 | 823 | - | 16,414 | - | 16,414 |
| At 31 July 2020 | 85,992 | 22,832 | 437,557 | 14,722 | 33,775 | 13,868 | - | 608,746 | - | 608,746 |
| Net book value | | | | | | | | | | |
| At 31 July 2020 | 165,151 | 4,429 | 59,660 | 53,396 | 5,880 | 1,320 | 1,179 | 291,015 | - | 291,015 |
| At 31 July 2019 | 172,202 | 5,541 | 123,418 | 56,714 | 8,890 | 3,196 | 6,854 | 376,815 | 13,348 | 390,163 |

14 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS AND LEASES (CONTINUED)

(a) Property, plant and equipment, and land use rights (Continued)

At 31 July 2019, the Group's land use rights and certain of its property, plant and equipment have been pledged as securities for its bank loans (note 24). Such securities were released during the year ended 31 July 2020 upon the repayment of the relevant bank loans.

Depreciation incurred during the year is attributable to the following:

| | 2020 RMB'000 | 2019 RMB'000 |
|-------------------------------------|-----------------|-----------------|
| Cost of sales | 11,774 | 39,822 |
| Distribution costs | 899 | 1,040 |
| General and administrative expenses | 12,981 | 14,257 |
| | 25,654 | 55,119 |

The impairment on property, plant and equipment amounting to RMB16,414,000 (2019: RMB36,493,000) was charged to "other losses – net".

As at 31 July 2019, plant, moulds and machinery included the following amounts where the Group is a lessee under finance leases (refer to note 25 for further details):

Leased machinery

Until 31 July 2019, leased assets are reclassified to right-of-use assets upon adoption of HKFRS 16, see notes 2.2 and 14(b) for details about the changes in accounting policy.

| | 2020 RMB'000 | 2019 RMB'000 |
|--------------------------|-----------------|-----------------|
| Cost | – | 39,926 |
| Accumulated depreciation | – | (3,877) |
| Net book value | – | 36,049 |

14 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS AND LEASES (CONTINUED)

(b) Right-of-use assets and lease liabilities

The consolidated statement of financial position shows the following amounts relating to the leases:

| | As at 31 July 2020 RMB'000 | As at 1 August 2019 RMB'000 |
|----------------------------------|---|--------------------------------------|
| Right-of-use assets | | |
| Land use rights | 12,945 | 13,348 |
| Machineries | 19,376 | 36,049 |
| Total right-of-use assets | 32,321 | 49,397 |
| | | |
| | As at 31 July 2020 RMB'000 | As at 1 August 2019 RMB'000 |
| Lease liabilities | | |
| Current | 5,759 | 11,300 |
| Non-current | 215 | 5,974 |
| | 5,974 | 17,274 |

During the year ended 31 July 2020, there was no addition of right-of-use assets.

14 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS AND LEASES (CONTINUED)

(b) Right-of-use assets and lease liabilities (Continued)

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

| | Year ended 31 July 2020 RMB'000 | Year ended 31 July 2019 RMB'000 |
|--|--|--|
| Depreciation of right-of-use assets | | |
| Land-use rights | 403 | – |
| Machineries | 3,281 | – |
| | 3,684 | – |
| Interest expense (included in finance cost) | 1,598 | – |
| Expense relating to short-term leases (included in cost of sales, distribution costs and general and administrative expenses) | 5,114 | – |
| Impairment on right-of-use assets | 10,518 | – |

Note:

For the year ended 31 July 2020, depreciation of right-of-use assets of RMB3,684,000 was included in cost of sales.

The impairment on right-of-use assets amounting to RMB10,518,000 was charged to “other losses – net”.

For the year ended 31 July 2020, the total cash outflow for leases included in cash flows from financing activities was RMB18,012,000.

14 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS AND LEASES (CONTINUED)**(c) Impairment on property, plant and equipment and right-of-use assets**

The trade war between the United States and China has created uncertainty in the business environment in China. In light of that, management has decided to cease operation of certain manufacturing lines in which, certain machinery and equipment (included in PPE and ROU) with a carrying amount of RMB59,037,000 were not expected to be used in production in the future. Therefore, there is no future economic benefit arisen from these machinery and equipment and the related value-in-use is amounted to zero. For these machinery and equipment, management estimated the recoverable amount of RMB32,105,000 based on their fair value less costs of disposal by making reference to quotations obtained from third-party buyers in the second-hand equipment and machinery trading market. The fair value of these PPE and ROU is categorised in level 2 of the fair value hierarchy. Accordingly, for the year ended 31 July 2020, impairment losses of PPE and ROU of RMB16,414,000 and RMB10,518,000, respectively, were recognised in the consolidated income statement (2019: RMB36,493,000 and RMB nil).

For the remaining of PPE and ROU (excluding land and buildings) with carrying value of RMB113,135,000, management considered each business segment as a separately identifiable cash-generating unit ("CGU") and performed impairment assessment by each CGU accordingly as at 31 July 2020. For the impairment testing purpose, the estimates of the recoverable amounts were based on value-in-use calculations, i.e. the present value of estimated future net cash flows expected to be arisen from the continuing use of relevant PPE and ROU. In estimating the present value of future net cash flows, after considering the historical results, the prevailing market trends and the expected remaining useful lives of the relevant PPE and ROU, the management has made key assumptions and estimation on the financial forecasts with major assumptions such as percentage changes in revenue and operating costs as well as pre-tax discount rate of 13%. Given the recoverable amount was higher than the carrying value of the PPE and ROU allocated to each CGU with headroom over 10% of the carrying value, no impairment provision was made.

For land and buildings of RMB178,096,000, management has assessed the recoverable amount based on its fair value less costs of disposal with reference to fair value of the land and building assessed by independent professional valuer through market approach. The fair value of land and buildings is categorised in level 2 of the fair value hierarchy. No impairment provision was made for the land and buildings as its recoverable amount was higher than the carrying value.

15 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-----------------|-----------------|
| Unlisted equity investment in the PRC (note (a)) | 4,000 | 4,900 |

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

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-----------------|-----------------|
| At 1 August | 4,900 | 8,198 |
| Change in value on fair value through other comprehensive income | (900) | (3,298) |
| At 31 July | 4,000 | 4,900 |

Notes:

- (a) The balance represented fair value of the Group's 10% equity interest in Qingdao GS Electronics Plastics Co., Ltd. and is denominated in RMB.
- (b) Valuation of financial asset at fair value through other comprehensive income

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

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

16 SUBSIDIARIES

Details of the Group's subsidiaries at 31 July 2020 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 ("VSIL") | British Virgin Islands ("BVI"), limited liability company | Investment holding in the PRC | US\$100 | 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% |
| 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% |

Notes to the Consolidated Financial Statements

16 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 |
| 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 Vietnam | 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.

17 INVESTMENT IN AN ASSOCIATE

| | 2020 RMB'000 | 2019 RMB'000 |
|----------------------------------|-----------------|-----------------|
| At beginning and end of the year | – | – |

The particulars of the Group's associate as at 31 July 2020 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 | | Measurement method |
|--|---|--|---------------------------------|----------------------------------|----------------------|--------------------|
| | | | | Group's effective interest | Held by subsidiaries | |
| 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.

18 INVENTORIES

Inventories included in the consolidated statement of financial position comprise:

| | 2020 RMB'000 | 2019 RMB'000 |
|--------------------------|-----------------|-----------------|
| Raw materials | 17,218 | 33,114 |
| Work-in-progress | 3,949 | 7,233 |
| Finished goods | 14,809 | 30,714 |
| Inventories – gross | 35,976 | 71,061 |
| Provision for impairment | (11,317) | (21,811) |
| Inventories – net | 24,659 | 49,250 |

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

| | 2020 RMB'000 | 2019 RMB'000 |
|---------------------------------------|-----------------|-----------------|
| Beginning of the year | 21,811 | 16,984 |
| Provision for impairment for the year | 9,397 | 12,531 |
| Write-off | (19,891) | (7,704) |
| End of the year | 11,317 | 21,811 |

Notes to the Consolidated Financial Statements

19 CONTRACT ASSETS

| | 2020 RMB'000 | 2019 RMB'000 |
|-------------------------|-----------------|-----------------|
| Contract assets – gross | 11,850 | 5,205 |
| Less: Loss allowance | (4) | – |
| Contract assets – net | 11,846 | 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:

| | 2020 RMB'000 | 2019 RMB'000 |
|------|-----------------|-----------------|
| US\$ | 11,846 | 1,684 |
| RMB | – | 3,521 |
| | 11,846 | 5,205 |

20 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2020 RMB'000 | 2019 RMB'000 |
|---|-----------------|-----------------|
| Trade receivables | 63,260 | 102,810 |
| Bills receivables | 3,710 | 7,345 |
| Trade and bills receivables – gross | 66,970 | 110,155 |
| Less: Loss allowance | (1,516) | (1,754) |
| Trade and bills receivables – net | 65,454 | 108,401 |
| Other receivables, deposits and prepayments | 58,919 | 62,337 |
| Less: Loss allowance (Note (a)) | (34,000) | (34,000) |
| Other receivables, deposits and prepayments – net (Note (b)) | 24,919 | 28,337 |
| Less: Other receivables and prepayments (non-current) | (6,295) | (7,813) |
| Total trade and other receivables, deposits and prepayments (current) | 84,078 | 128,925 |

20 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Note:

- (a) 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 2020 and 2019. The Group is under a legal proceeding against the Vendor regarding the full refund of Deposits and the relevant interests and such case will be put on trial on 16 November 2021.

- (b) Other receivables, deposits and prepayments primarily included value-added tax receivable, prepayments for inventories and property, plant and equipment.

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

| | 2020 RMB'000 | 2019 RMB'000 |
|----------------|-----------------|-----------------|
| Up to 3 months | 64,632 | 102,610 |
| 3 to 6 months | 766 | 6,975 |
| Over 6 months | 1,572 | 570 |
| | 66,970 | 110,155 |

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivable mentioned above. Certain trade receivables have been pledged as security for certain banking facilities, including trade finances, overdrafts and bank loans (note 24).

- (c) The carrying amounts of the trade and other receivables are denominated in the following currencies:

| | 2020 RMB'000 | 2019 RMB'000 |
|--------|-----------------|-----------------|
| US\$ | 48,863 | 56,779 |
| RMB | 33,750 | 70,346 |
| HK\$ | 1,465 | 1,750 |
| Others | — | 50 |
| | 84,078 | 128,925 |

Notes to the Consolidated Financial Statements

21 RESTRICTED BANK BALANCES

| | 2020 RMB'000 | 2019 RMB'000 |
|------------------------------------|-----------------|-----------------|
| Pledged deposits with banks (Note) | 61,240 | 64,905 |
| Other restricted bank balance | – | 1,677 |
| | 61,240 | 66,582 |

Note:

The deposits are pledged to banks as security for certain banking facilities, including trade finances, overdrafts and bank loans (note 24).

As at 31 July 2020, the interest rate of these pledged bank deposits ranged from 0.5% to 1.6% per annum (2019: 1.55% to 1.95% per annum).

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

| | 2020 RMB'000 | 2019 RMB'000 |
|------|-----------------|-----------------|
| RMB | 50,000 | 55,720 |
| US\$ | 11,240 | 10,862 |
| | 61,240 | 66,582 |

22 CASH AND CASH EQUIVALENTS

| | 2020 RMB'000 | 2019 RMB'000 |
|---------------------------|-----------------|-----------------|
| Cash at banks and on hand | 104,430 | 71,758 |

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

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-----------------|-----------------|
| Cash and cash equivalents | 104,430 | 71,758 |
| Bank overdrafts (note 24) | (10,243) | (16,447) |
| Cash, cash equivalents and bank overdrafts | 94,187 | 55,311 |

22 CASH AND CASH EQUIVALENTS (CONTINUED)

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

| | 2020 | 2019 |
|--------|----------------|---------|
| | RMB'000 | RMB'000 |
| US\$ | 88,015 | 45,440 |
| RMB | 16,238 | 26,129 |
| HK\$ | 163 | 171 |
| Others | 14 | 18 |
| | 104,430 | 71,758 |

The Group's cash and cash equivalents of RMB16,194,000 (2019: RMB26,072,000) were denominated in RMB and were deposited with bank in the PRC. The conversion of these RMB denominated balances into foreign currencies and remittance of these deposits out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

23 TRADE AND OTHER PAYABLES

| | 2020 | 2019 |
|--|----------------|---------|
| | RMB'000 | RMB'000 |
| Trade payables | 58,107 | 68,707 |
| Accrued expenses and other payables (Note (a)) | 26,488 | 33,091 |
| Payables for the purchase of property, plant and equipment | 2,340 | 7,277 |
| Contract liabilities (Note (b)) | 7,125 | 10,779 |
| Deposit received | 125 | 1,380 |
| Trade and other payables | 94,185 | 121,234 |

Note:

- (a) The accrued expenses and other payables primarily include accrued staff costs, accrued transportation costs, interest payables and value-added tax payables.
- (b) Contract liabilities include receipts in advance from customers. All of the contract liabilities are expected to be recognised as revenue within one year.

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

| | 2020 | 2019 |
|--------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Less than 1 month | 13,209 | 26,282 |
| 1 to 3 months | 32,055 | 30,417 |
| More than 3 months | 12,843 | 12,008 |
| | 58,107 | 68,707 |

Notes to the Consolidated Financial Statements

23 TRADE AND OTHER PAYABLES (CONTINUED)

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

| | 2020 RMB'000 | 2019 RMB'000 |
|--------|-----------------|-----------------|
| RMB | 72,604 | 74,059 |
| US\$ | 19,208 | 44,236 |
| HK\$ | 2,373 | 2,921 |
| Others | – | 18 |
| | 94,185 | 121,234 |

24 BORROWINGS

| | 2020 RMB'000 | 2019 RMB'000 |
|---|-----------------|-----------------|
| Current | | |
| Short-term bank borrowings, unsecured | – | 19,989 |
| Short-term bank borrowings, secured | 67,299 | 45,235 |
| Bank overdrafts, secured | 10,243 | 16,447 |
| Trust receipts bank loans, secured | 51,012 | 87,838 |
| Portion of non-current bank borrowings repayable within one year, secured | – | 6,884 |
| Total borrowings | 128,554 | 176,393 |

As at 31 July 2020 and 2019, 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:

| | 2020 RMB'000 | 2019 RMB'000 |
|--------------------------|-----------------|-----------------|
| – at floating rates | 128,554 | 150,347 |
| | 2020 | 2019 |
| Trust receipt bank loans | 3.9% | 5.4% |
| Bank overdrafts | 7.0% | 7.0% |
| Other bank borrowings | 5.4% | 4.6% |

As at 31 July 2019, the Group has borrowings totaling RMB26,046,000 are carried at fixed rates and bear interest at rate 5.6% and 7.0% respectively per annum.

24 BORROWINGS (CONTINUED)

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

| | 2020 RMB'000 | 2019 RMB'000 |
|------|-----------------|-----------------|
| RMB | 102,838 | 128,613 |
| US\$ | 15,473 | 31,333 |
| HK\$ | 10,243 | 16,447 |
| | 128,554 | 176,393 |

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

| | 2020 RMB'000 | 2019 RMB'000 |
|------------------------------------|-----------------|-----------------|
| Trade receivables | 28,358 | 51,261 |
| Restricted bank deposits (note 21) | 61,240 | 64,905 |
| Buildings (note 14(a)) | – | 168,447 |
| Plant and machinery (note 14(a)) | – | 11,298 |
| Land use rights (note 14(a)) | – | 13,348 |
| | 89,598 | 309,259 |

At 31 July 2019, the Group's land use rights and certain of its property, plant and equipment have been pledged as securities for its bank loans. Such securities were released during the year ended 31 July 2020 upon the repayment of the relevant bank loans.

The above-mentioned secured banking facilities, including trade finances, overdrafts and bank loans, totaling RMB305,236,000 (2019: RMB437,719,000), were utilised to the extent of RMB128,554,000 at 31 July 2020 (2019: RMB156,404,000).

As at 31 July 2020, all the banking facilities are secured. As at 31 July 2019, the Group's banking facilities also included certain unsecured banking facilities, totaling RMB20,000,000, which were utilised to the extent of RMB19,989,000.

25 FINANCE LEASE LIABILITIES

From 1 August 2019, the finance lease liabilities was reclassified to lease liabilities from the adoption of HKFRS 16.

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

| | 2020 RMB'000 | 2019 RMB'000 |
|---|-----------------|-----------------|
| Gross finance lease liabilities – minimum lease payments | | |
| No later than 1 year | – | 12,898 |
| Later than 1 year and no later than 5 years | – | 6,364 |
| | – | 19,262 |
| Future finance charges on finance leases | – | (1,988) |
| Present value of finance lease liabilities | – | 17,274 |
| The present value of finance lease liabilities is as follows: | | |
| No later than 1 year | – | 11,300 |
| Later than 1 year and no later than 5 years | – | 5,974 |
| | – | 17,274 |

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

26 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 in writing signed by directors on 12 January 2017, 176,320,000 share options were granted under the rules of the share option scheme at an exercise price of HK\$0.320 per share. After the completion of rights issue on 12 September 2017, 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.

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

26 SHARE OPTION SCHEME (CONTINUED)

- (a) Terms and conditions of share options 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 | 90,832,707 |
| | 12 January 2017 to 28 February 2018 | 1 March 2018 to 28 February 2019 | 0.310 | 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.

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

| | 2019 | |
|--|--|------------------------------|
| | Weighted average exercise price HK\$ | Number of options '000 |
| Outstanding at the beginning of the year | 0.310 | 168,578 |
| Lapsed during the year | 0.310 | (168,578) |
| | | - |
| Outstanding at the end of the year | | - |

Pursuant to the resolution duly passed at the annual general meeting of the Company ("2019 AGM") held on 11 December 2019, 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 2019 AGM. As at the date of the 2019 AGM, there were 2,307,513,363 shares of the Company in issue. Accordingly, the refreshed mandate was 230,751,336 shares of the Company.

As at 31 July 2020 and 2019, there was no outstanding shares option granted.

Notes to the Consolidated Financial Statements

27 DEFERRED INCOME TAX

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

| | 2020 RMB'000 | 2019 RMB'000 |
|---|-----------------|-----------------|
| Deferred tax assets: | | |
| – to be recovered after more than 12 months | 1,143 | 314 |
| Deferred tax liabilities: | | |
| – to be recovered after more than 12 months | (2,847) | (1,721) |
| Deferred tax liabilities – net | (1,704) | (1,407) |

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 2018 | 466 | (1,782) | (1,316) |
| (Charged)/credited to profit or loss (note 9) | (152) | 61 | (91) |
| At 31 July 2019 | 314 | (1,721) | (1,407) |
| At 1 August 2019 | 314 | (1,721) | (1,407) |
| Credited/(charged) to profit or loss (note 9) | 829 | (1,126) | (297) |
| At 31 July 2020 | 1,143 | (2,847) | (1,704) |

The Group did not recognise deferred income tax assets of RMB27,068,000 (2019: RMB31,458,000) in respect of tax losses amounting to RMB109,953,000 (2019: RMB126,657,000) that can be carried forward against future taxable income, which will expire between 2021 and 2025 (2019: 2020 and 2024).

28 SHARE CAPITAL AND SHARE PREMIUM

| | 2020 | | | 2019 | | |
|--|-------------------------|----------------------|----------------------|-------------------------|----------------------|----------------------|
| | 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 and 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.

Notes to the Consolidated Financial Statements

29 OTHER DEFICITS

| | Note | Capital reserves RMB'000 | Statutory reserve fund RMB'000 (Note) | Employee share-based 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 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 | 15 | – | – | – | (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 | 26 | – | – | (13,872) | – | 13,872 | – |
| Total transactions with owners, recognised directly in equity | | – | 1,038 | (13,872) | – | 12,834 | – |
| Balance at 31 July 2019 and 1 August 2019 | | 11,752 | 61,449 | – | (3,298) | (89,942) | (20,039) |
| Comprehensive loss | | | | | | | |
| Loss for the year | | – | – | – | – | (33,724) | (33,724) |
| Other comprehensive loss | | | | | | | |
| Changes in value on financial asset at fair value through other comprehensive income | 15 | – | – | – | (900) | – | (900) |
| Total comprehensive loss | | – | – | – | (900) | (33,724) | (34,624) |
| Appropriation (Note) | | – | 274 | – | – | (274) | – |
| Total transactions with owners, recognised directly in equity | | – | 274 | – | – | (274) | – |
| Balance at 31 July 2020 | | 11,752 | 61,723 | – | (4,198) | (123,940) | (54,663) |

29 OTHER DEFICITS (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.

30 DIVIDENDS

No dividend has been paid or declared by the Company for the years ended 31 July 2020 and 2019.

31 COMMITMENTS**(a) Capital commitments**

Capital commitments outstanding at 31 July 2020 and 2019 not provided for in the consolidated financial statements are as follows:

| | 2020 RMB'000 | 2019 RMB'000 |
|----------------|-----------------|-----------------|
| Contracted for | — | 3,428 |

(b) Operating lease***As lessee***

The Group leases staff quarters under operating leases.

From 1 August 2019, the Group has adopted HKFRS 16 "Leases" to account for its operating leases, see note 2.2 for further information.

| | 2019 RMB'000 |
|-----------------|-----------------|
| Within one year | 2,455 |

32 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:

| | 2020 RMB'000 | 2019 RMB'000 |
|---|-----------------|-----------------|
| Sales of goods to the ultimate holding company | 962 | 7,236 |
| Sales of goods to an associate | 1,747 | – |
| Sales of goods to a company controlled by the family member of a director | 881 | – |
| | 3,590 | 7,236 |
| Sales of machineries to a company controlled by the family member of a director | 8,930 | – |
| Sales of machineries to the ultimate holding company | – | 8,722 |
| Expense relating to leases paid and payable to a company controlled by a director | 4,909 | 6,284 |
| Purchase of fabricated moulds and certain moulded products and parts from a company controlled by the family member of a director | – | 233 |
| Management fee paid and payable to a company controlled by a director | – | 249 |
| Sub-contracting fee paid and payable to a company controlled by the family member of a director | 5,177 | 5,302 |
| Repair and maintenance services paid and payable to a company controlled by the family member of a director | 665 | 743 |

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:

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-----------------|-----------------|
| Amount due from a company controlled by a director | 658 | 339 |
| Amount due from a company controlled by a family member of a director (Note) | 5,930 | 205 |
| Amount due from the ultimate holding company | – | 2,138 |
| Amount due from an associate (Note) | 1,725 | – |
| | 8,313 | 2,682 |

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Note:

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

| | 2020 RMB'000 | 2019 RMB'000 |
|----------------|-----------------|-----------------|
| Up to 3 months | 2,589 | – |

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:

| | 2020 RMB'000 | 2019 RMB'000 |
|------|-----------------|-----------------|
| US\$ | 7,655 | 2,138 |
| RMB | 658 | 544 |
| | 8,313 | 2,682 |

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

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-----------------|-----------------|
| Amount due to companies controlled by family member of directors | 1,361 | 1,704 |
| Amounts due to directors | 631 | 207 |
| Amount due to the ultimate holding company | – | 2 |
| | 1,992 | 1,913 |

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

32 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:

| | 2020 RMB'000 | 2019 RMB'000 |
|--------|-----------------|-----------------|
| RMB | 1,361 | 1,704 |
| Others | 631 | 209 |
| | 1,992 | 1,913 |

(d) Loans from a director

Loans from a director were unsecured with interest-bearing at the rate of 4.3% and 4.1% per annum and due for repayment on 15 December 2021. The carrying amount of the loans from a director approximated their fair value.

The carrying amounts of loans from a director are denominated in the following currencies:

| | 2020 RMB'000 | 2019 RMB'000 |
|------|-----------------|-----------------|
| US\$ | 20,954 | 17,245 |
| HK\$ | 18,026 | – |
| | 38,980 | 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 11.

33 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|--|------|-----------------|-----------------|
| Loss before income tax | | (33,389) | (121,608) |
| Adjustments for: | | | |
| – Finance costs | 8 | 11,098 | 15,802 |
| – Interest income | 8 | (835) | (1,621) |
| – Amortisation of land use rights | 7 | – | 403 |
| – Depreciation of property, plant and equipment | 7 | 25,654 | 55,119 |
| – Depreciation of right-of-use assets | 7 | 3,684 | – |
| – Impairment on property, plant and equipment | 6 | 16,414 | 36,493 |
| – Impairment on right-of-use assets | 6 | 10,518 | – |
| – Net (gain)/loss on disposal of property, plant and equipment and right-of-use assets | 6 | (2,109) | 11,977 |
| – Gain on disposal of a subsidiary | 6 | – | (4,052) |
| | | 31,035 | (7,487) |
| Changes in working capital: | | | |
| Inventories | | 24,591 | 31,792 |
| Trade and other receivables | | 45,247 | 118,093 |
| Contract assets | | (6,641) | (5,205) |
| Amounts due from related parties | | (566) | 6,868 |
| Amounts due to related parties | | 79 | 480 |
| Trade and other payables | | (23,173) | (98,155) |
| Cash generated from operations | | 70,572 | 46,386 |

(b) (Gain)/loss on disposal of property, plant and equipment and right-of-use assets is arrived at as follows:

| | 2020 RMB'000 | 2019 RMB'000 |
|--|-----------------|-----------------|
| Net book amount disposed of | 17,902 | 20,878 |
| Amount due from a related party (Note) | (5,066) | – |
| Proceeds received | (14,945) | (8,901) |
| (Gain)/loss on disposals | (2,109) | 11,977 |

Note:

For the year ended 31 July 2020, the Group disposed of certain machineries to a related party at consideration of RMB8,930,000, of which RMB5,066,000 is yet to be received as at 31 July 2020.

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

(c) Liabilities from financing activities

| | Finance lease liabilities/lease liabilities due within 1 year RMB'000 | Finance lease liabilities/lease liabilities due after 1 year RMB'000 | Bank borrowings due within 1 year RMB'000 | Bank borrowings due after 1 year RMB'000 | Loans from a director RMB'000 | Total RMB'000 |
|----------------------------|--|---|--|---|----------------------------------|------------------|
| 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 | (11,452) | (5,998) | – | – | – | (17,450) |
| As at 31 July 2019 | (11,300) | (5,974) | (159,946) | – | (17,245) | (194,465) |
| As at 1 August 2019 | (11,300) | (5,974) | (159,946) | – | (17,245) | (194,465) |
| Cash flows | 5,541 | 7,357 | 41,635 | – | (21,735) | 32,798 |
| Non-cash transactions | – | (1,598) | – | – | – | (1,598) |
| As at 31 July 2020 | (5,759) | (215) | (118,311) | – | (38,980) | (163,265) |

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

| | 2020 RMB'000 | 2019 RMB'000 |
|---|-----------------|-----------------|
| ASSETS | | |
| Non-current assets | | |
| Investments in subsidiaries | 308,844 | 308,844 |
| Current assets | | |
| Amounts due from subsidiaries | 132,439 | 150,509 |
| Cash and cash equivalents | 17 | 94 |
| | 132,456 | 150,603 |
| Total assets | 441,300 | 459,447 |
| EQUITY | | |
| Capital and reserves | | |
| Share capital | 105,013 | 105,013 |
| Share premium | 306,364 | 306,364 |
| Other deficits (Note (a)) | (72,419) | (62,097) |
| Total equity attributable to owners of the Company | 338,958 | 349,280 |
| LIABILITIES | | |
| Current liabilities | | |
| Other payables | 1,569 | 1,707 |
| Amounts due to subsidiaries | 100,773 | 108,460 |
| Total liabilities | 102,342 | 110,167 |
| Total equity and liabilities | 441,300 | 459,447 |

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

Note (a) Equity movement of the Company

| | Contributed surplus RMB'000 (Note) | Employee share-based reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|--|---|--|--|-------------------------|
| Balance at 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 and 1 August 2019 | 148,621 | – | (210,718) | (62,097) |
| Comprehensive loss | | | | |
| Loss for the year | – | – | (10,322) | (10,322) |
| Balance at 31 July 2020 | 148,621 | – | (221,040) | (72,419) |

Note:

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.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Beh Kim Ling (*Chairman*)
Gan Sem Yam (*Managing Director*)
Gan Chu Cheng (*passed away on 19 March 2020*)
Zhang Pei Yu
Beh Chern Wei (*Finance Director*)

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

REMUNERATION COMMITTEE OF THE BOARD

Fu Xiao Nan (*Chairman of the Remuneration Committee*)
Tang Sim Cheow
Beh Kim Ling

NOMINATION COMMITTEE OF THE BOARD

Diong Tai Pew (*Chairman of the Nomination Committee*)
Tang Sim Cheow
Gan Chu Cheng (*passed away on 19 March 2020*)
Beh Chern Wei (*appointed on 26 March 2020*)

COMPANY SECRETARY

Ng Ting On, Polly

REGISTERED OFFICE

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KY1-1111
Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai, Hong Kong

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AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

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

SUBSIDIARIES

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

Corporate Information

V.S. Corporation (Hong Kong) Co., Limited
VSA Holding Hong Kong Co., Limited
V.S. Industry Holding Limited
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Fax No: (852) 2511 9880

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V.S. Industry (Zhuhai) Co., Ltd.
VSA Electronics Technology (Zhuhai) Co., Ltd.
V.S. ECO-TECH (Zhuhai) Co., Ltd.
V.S. Industrial Product Design (Zhuhai) Co., Ltd.
Zhuhai Deyuan Energy Conservation Technology
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The People's Republic of China
Tel. No: (86) 756 6295 888
Fax No: (86) 756 3385 691/681

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The People's Republic of China
Tel. No: (86) 532 8676 2188
Fax No: (86) 532 8676 2233

Qingdao GP Precision Mold Co., Ltd.
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Shandong Province
The People's Republic of China
Tel. No: (86) 532 8792 3666
Fax No: (86) 532 8792 3660

ASSOCIATED COMPANY

VS Industry Vietnam Joint Stock Company
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Quevo District
Bacninh Province
Vietnam
Tel. No: (84) 241 3634 300
Fax No: (84) 241 3634 308

Group Property

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

| | 2020 RMB'000 | 2019 RMB'000 | 2018 RMB'000 | 2017 RMB'000 | 2016 RMB'000 |
|--|---------------------|-----------------|-----------------|-----------------|-----------------|
| Results | | | | | |
| Revenue | 482,327 | 649,092 | 1,115,885 | 1,270,725 | 884,227 |
| Operating (loss)/profit | (23,126) | (107,427) | 17,717 | 45,819 | (11,872) |
| Finance costs – net | (10,263) | (14,181) | (12,966) | (12,376) | (11,754) |
| Share of (loss)/profit of an associate | – | – | (17,274) | (9,846) | 2,531 |
| (Loss)/profit before income tax | (33,389) | (121,608) | (12,523) | 23,597 | (21,095) |
| Income tax (expense)/credit | (335) | (554) | 3,672 | (10,113) | (11,408) |
| (Loss)/profit for the year | (33,724) | (122,162) | (8,851) | 13,484 | (32,503) |
| Attributable to: | | | | | |
| Owners of the Company | (33,724) | (122,162) | (8,851) | 13,484 | (32,503) |
| Assets and liabilities | | | | | |
| Non-current assets | 334,774 | 403,190 | 504,252 | 545,785 | 501,553 |
| Current assets | 294,566 | 324,402 | 507,488 | 523,426 | 393,300 |
| Total assets | 629,340 | 727,592 | 1,011,740 | 1,069,211 | 894,853 |
| Current liabilities | (230,584) | (311,314) | (489,107) | (593,095) | (408,995) |
| Non-current liabilities | (42,042) | (24,940) | (12,345) | (49,909) | (85,966) |
| NET ASSETS | 356,714 | 391,338 | 510,288 | 426,207 | 399,892 |
| Share capital | 105,013 | 105,013 | 105,013 | 85,311 | 84,996 |
| Reserves | 251,701 | 286,325 | 405,275 | 340,896 | 314,896 |
| TOTAL EQUITY | 356,714 | 391,338 | 510,288 | 426,207 | 399,892 |
| (Loss)/earnings per share | | | | | |
| Basic | (1.46) cents | (5.29) cents | (0.39) cent | 0.71 cent | (1.72) cents |
| Diluted | (1.46) cents | (5.29) cents | (0.39) cent | 0.71 cent | (1.72) cents |