V.S. INDUSTRY BERHAD
(Co. No. 88160-P)

PARTNERING GLOBAL LEADERS

Annual Report 2014





Since inception more than 30 years ago, V.S. Industry Berhad has established a strong track record in the international Electronics Manufacturing Services (EMS) industry, and made it our responsibility to deliver our utmost best in manufacturing excellence, product innovation and customer service.

Backed by these key strengths, we intend to continue partnering global leaders in fulfilling their EMS requirements, and grow in step with the world's leading brands. We believe that this would set us on the right path in creating greater value for our stakeholders.

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CORPORATE **INFORMATION**

Board of Directors
Datuk Beh Kim Ling
Executive Chairman

Datuk Gan Sem Yam
Managing Director

Datin Gan Chu Cheng
Executive Director

Dato' Gan Tiong Sia
Executive Director

Ng Yong Kang
Executive Director

Tan Sri Mohd Nadzmi Bin Mohd Salleh
Senior Independent Non-Executive Director

Pan Swee Keat
Independent Non-Executive Director

Tang Sim Cheow
Independent Non-Executive Director

Chong Chin Siong
Alternate Director to Datin Gan Chu Cheng

Audit Committee
Tang Sim Cheow
(Chairman)
Pan Swee Keat
Tan Sri Mohd Nadzmi Bin Mohd Salleh

Nomination Committee
Tang Sim Cheow
(Chairman)
Pan Swee Keat
Datuk Gan Sem Yam

Remuneration Committee
Pan Swee Keat
(Chairman)
Tang Sim Cheow
Datuk Gan Sem Yam

Joint Company Secretaries
Ang Mui Kiow
Chiam Mei Ling

Auditors
KPMG
Chartered Accountants
Level 14, Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor Darul Takzim

Registrar
Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City,
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel No. : (603) 2264 3883
Fax No. : (603) 2282 1886

Principal Bankers
AmIslamic Bank Berhad
CIMB Bank Berhad
Citibank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Bhd

Registered Office
Suite 7E
Level 7, Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor Darul Takzim
Tel No. : (607) 224 1035
Fax No. : (607) 221 0891

Headquarters
PTD 86556, Jalan Murni 12
Taman Perindustrian Murni
81400 Senai
Johor Darul Takzim
Tel No. : (607) 597 3399
Fax No. : (607) 599 4694

Stock Exchange Listing
Main Market,
Bursa Malaysia Securities Berhad
Bursa Code : 6963
Reuters Code : VSID.KL
Bloomberg Code : VSI MK

Online Links
Corporate Website:
www.vs-i.com
Investor Relations Channel:
http://vsi.investor.net.my



CORPORATE **PROFILE**

V.S. Industry Berhad (VS) was founded in 1982 and listed on the Main Market of Bursa Malaysia Securities Berhad in 1998. Today VS is a leading integrated Electronics Manufacturing Services (EMS) provider in the region, with proven capabilities to undertake the manufacturing needs of global brand names for office and household electrical and electronic products.

In fact, VS is now ranked alongside top global EMS providers – making the list into the world's top 50 EMS providers for 7 consecutive years from 2007 to 2013.

Together with our Hong Kong Stock Exchange listed subsidiary V.S. International Group Limited, VS has advanced manufacturing facilities located in Malaysia, China, Indonesia and Vietnam, who collectively employ a workforce of more than 10,000 people. The VS Group offers one stop manufacturing solutions to world-renowned customers from Europe, Japan and the USA.

Our extensive manufacturing services include plastic injection mould design and fabrication, a wide range of injection tonnage and finishing processes, large scale production of printed circuit boards, automated assembly and final processes of packaging and logistics.



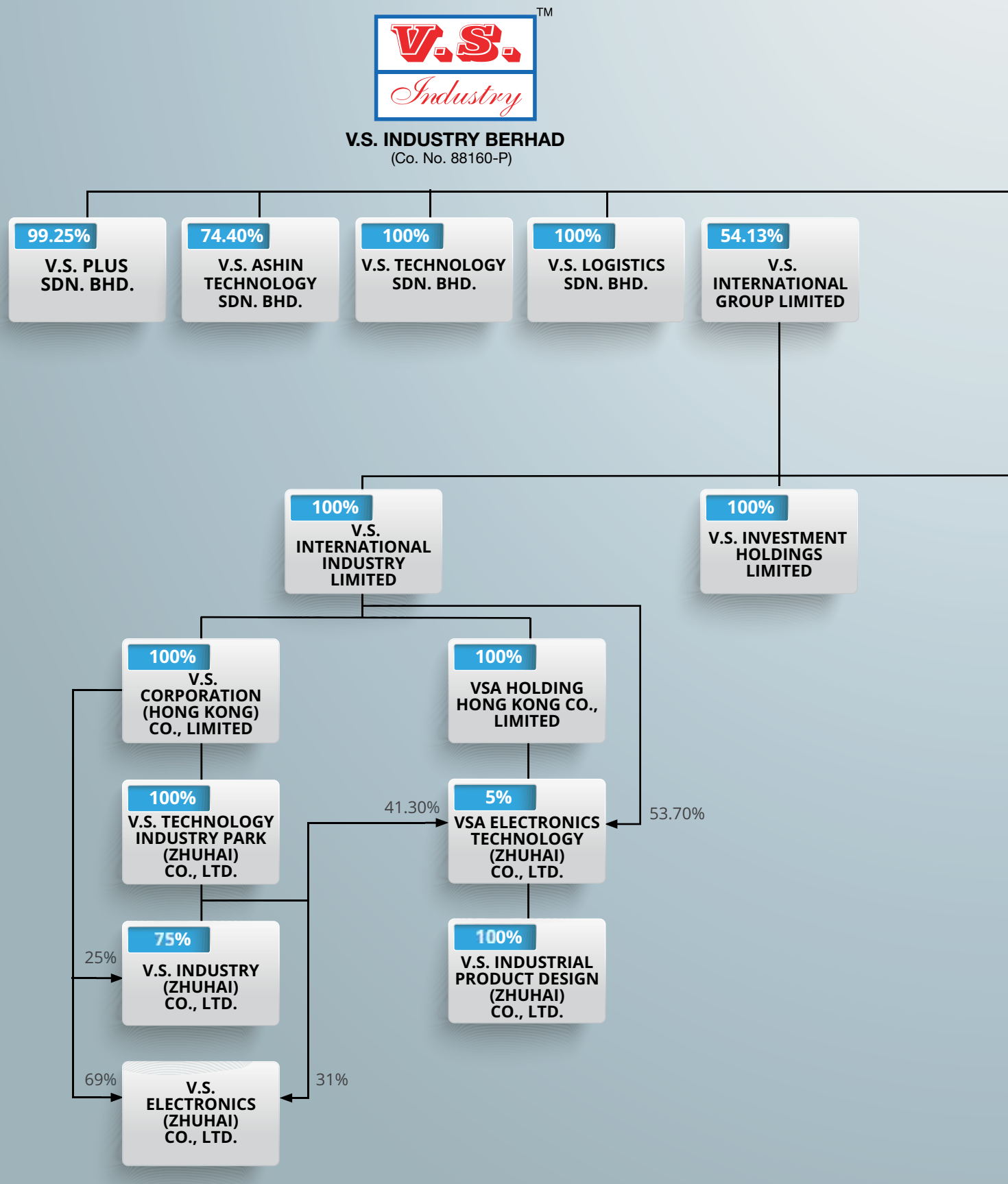
GEOGRAPHICAL **FOOTPRINT**

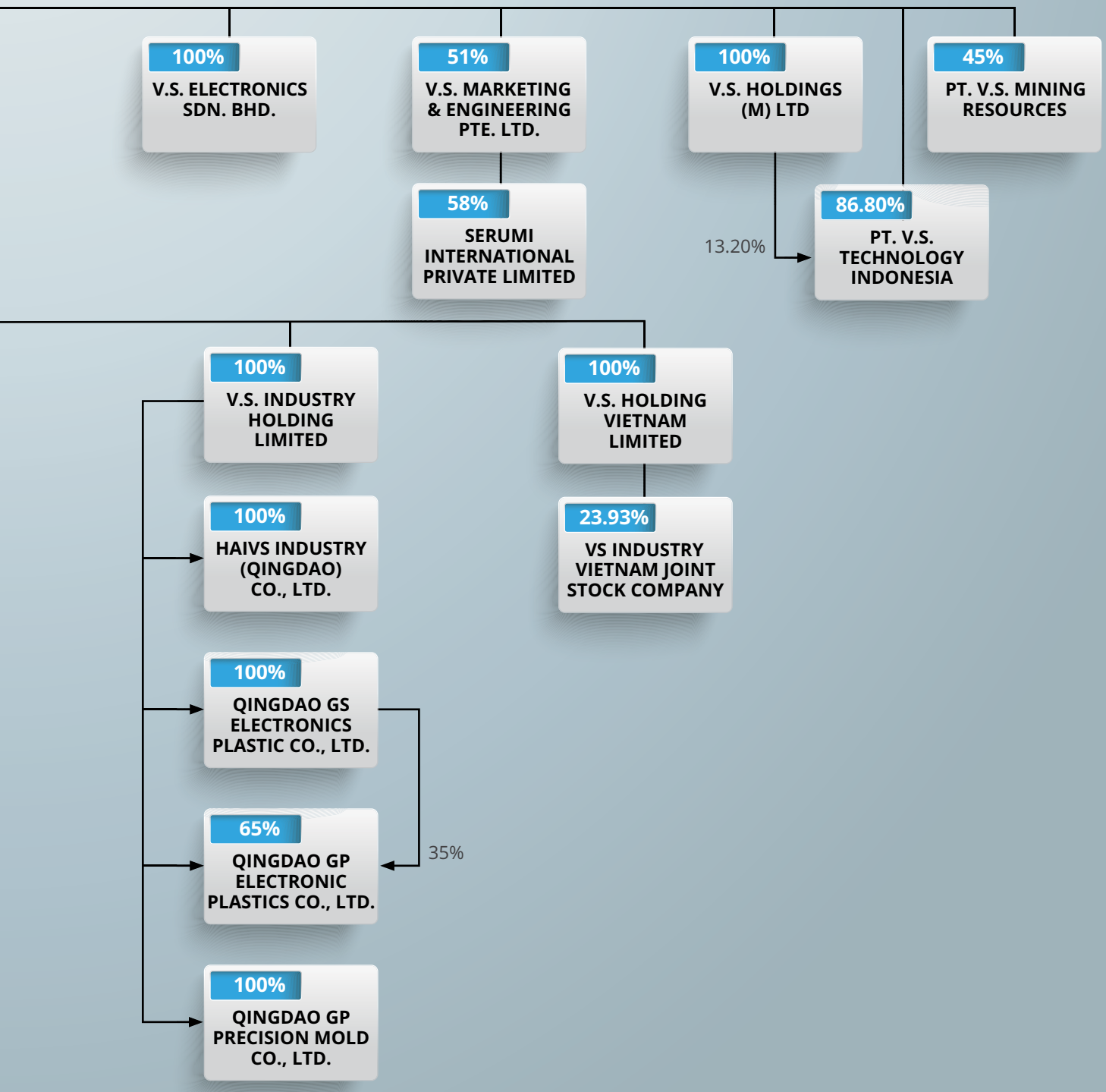
With facilities strategically located in Asia's key manufacturing hubs, VS today serves the EMS requirements for an ever-expanding international customer base.

VS is pleased to be positioned alongside leading global EMS providers, having entered the list of the world's top 50 EMS providers for 7 consecutive years from 2007 to 2013.



CORPORATE **STRUCTURE**




100%
V.S. ELECTRONICS SDN. BHD.
51%
V.S. MARKETING & ENGINEERING PTE. LTD.
100%
V.S. HOLDINGS (M) LTD
45%
PT. V.S. MINING RESOURCES
58%
SERUMI INTERNATIONAL PRIVATE LIMITED
13.20%
86.80%
PT. V.S. TECHNOLOGY INDONESIA
100%
V.S. INDUSTRY HOLDING LIMITED
100%
V.S. HOLDING VIETNAM LIMITED
100%
HAIVS INDUSTRY (QINGDAO) CO., LTD.
23.93%
VS INDUSTRY VIETNAM JOINT STOCK COMPANY
100%
QINGDAO GS ELECTRONICS PLASTIC CO., LTD.
65%
QINGDAO GP ELECTRONIC PLASTICS CO., LTD.
35%
100%
QINGDAO GP PRECISION MOLD CO., LTD.

FINANCIAL **HIGHLIGHTS**

FINANCIAL SUMMARY For the Financial Year Ended 31 July (RM'000)	2014	2013	2012	2011	2010
Revenue	1,715,082	1,163,911	1,201,992	1,026,818	800,170
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	119,548	92,027	95,275	95,712	75,992
Earnings before Interest and Tax ("EBIT")	57,963	59,346	66,788	67,337	47,842
Share of Results of Associates	(689)	(5,160)	(13,080)	(10,491)	(3,648)
Profit before Tax ("PBT")	41,993	49,447	48,791	51,363	38,777
Net Profit after Minority Interest	53,633	43,910	37,390	27,721	24,290
Total Dividends Paid	22,502*	9,060	27,185	16,333	11,751
As At 31 July (RM'000)					
Shareholders' Funds	526,160	479,646	410,491	393,609	374,587
Share Capital (RM1.00 par)	186,355	182,327	182,327	182,327	179,702
Reserves (Net of Treasury Shares at Cost)	339,805	297,319	228,164	211,282	194,885
Total Assets	1,551,689	1,404,443	850,986	772,166	754,179
Net Current Assets	121,619	94,561	103,724	97,036	45,937
Total Borrowings	409,791	361,757	138,008	134,829	170,044
Cash and Cash Equivalents	123,464	97,288	58,680	71,853	67,364
Per Share					
Basic Earnings per Share (sen)	29.5	24.2	20.6	15.3	13.5
Total Tax-Exempt Dividend per Share (sen)	11.7*	5.0	15.0	9.0	6.5
Net Tangible Assets per Share (RM)	2.8	2.6	2.3	2.2	2.1
Returns (%)					
Return on Average Shareholders' Equity (%)	10.7	9.9	9.3	7.2	6.6
Return on Average Total Assets (%)	3.6	3.9	4.6	3.6	3.3
Financial Analysis					
Gross Margin (%)	11.5	9.1	12.2	14.4	15.2
Operating Margin (%)	3.4	5.1	5.6	6.6	6.0
PBT Margin (%)	2.4	4.2	4.1	5.0	4.8
Net Margin (%)	3.1	3.8	3.1	2.7	3.0
Gearing (Net of Cash) (times)	0.5	0.6	0.2	0.2	0.3
Interest Coverage (times)	3.8	12.5	13.6	12.3	8.8
Dividend Payout Ratio (%)	42.0	67.1	72.7	58.9	48.4

* Inclusive of proposed final single tier dividend of 3.5 sen per share for shareholders' approval

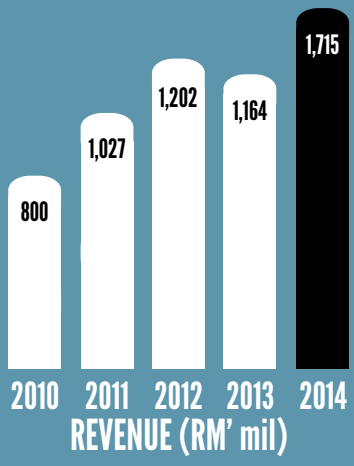


21%
REVENUE CAGR[1]

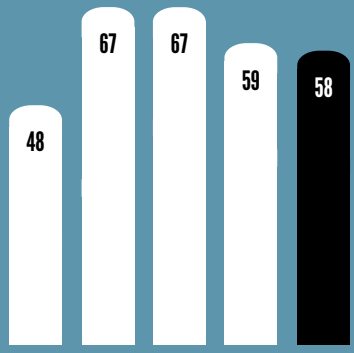
22%
NET PROFIT CAGR[1]

42%
FY2014 DIVIDEND PAYOUT[2]

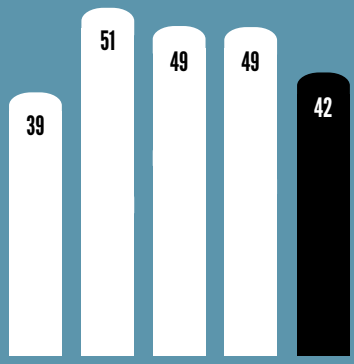
11%
RETURN ON SHAREHOLDERS' EQUITY (ROE)



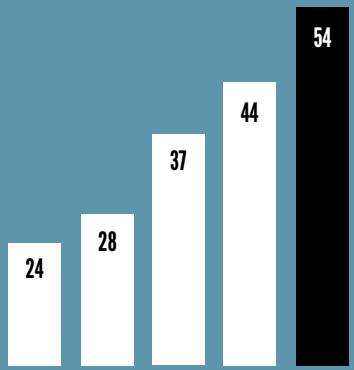
REVENUE (RM' mil)



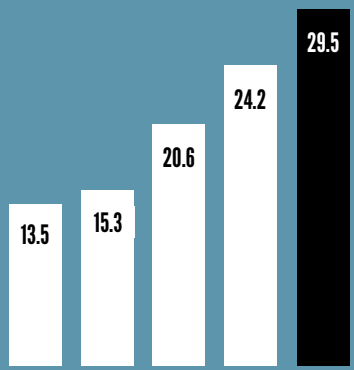
EARNINGS BEFORE INTEREST & TAX (RM' mil)



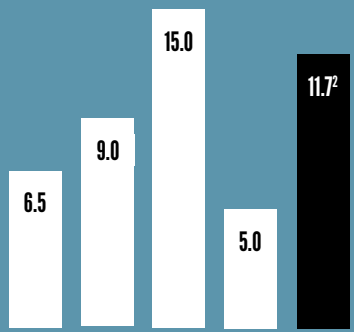
PROFIT BEFORE TAX (RM' mil)



NET PROFIT (RM' mil)



BASIC EARNINGS PER SHARE (SEN)

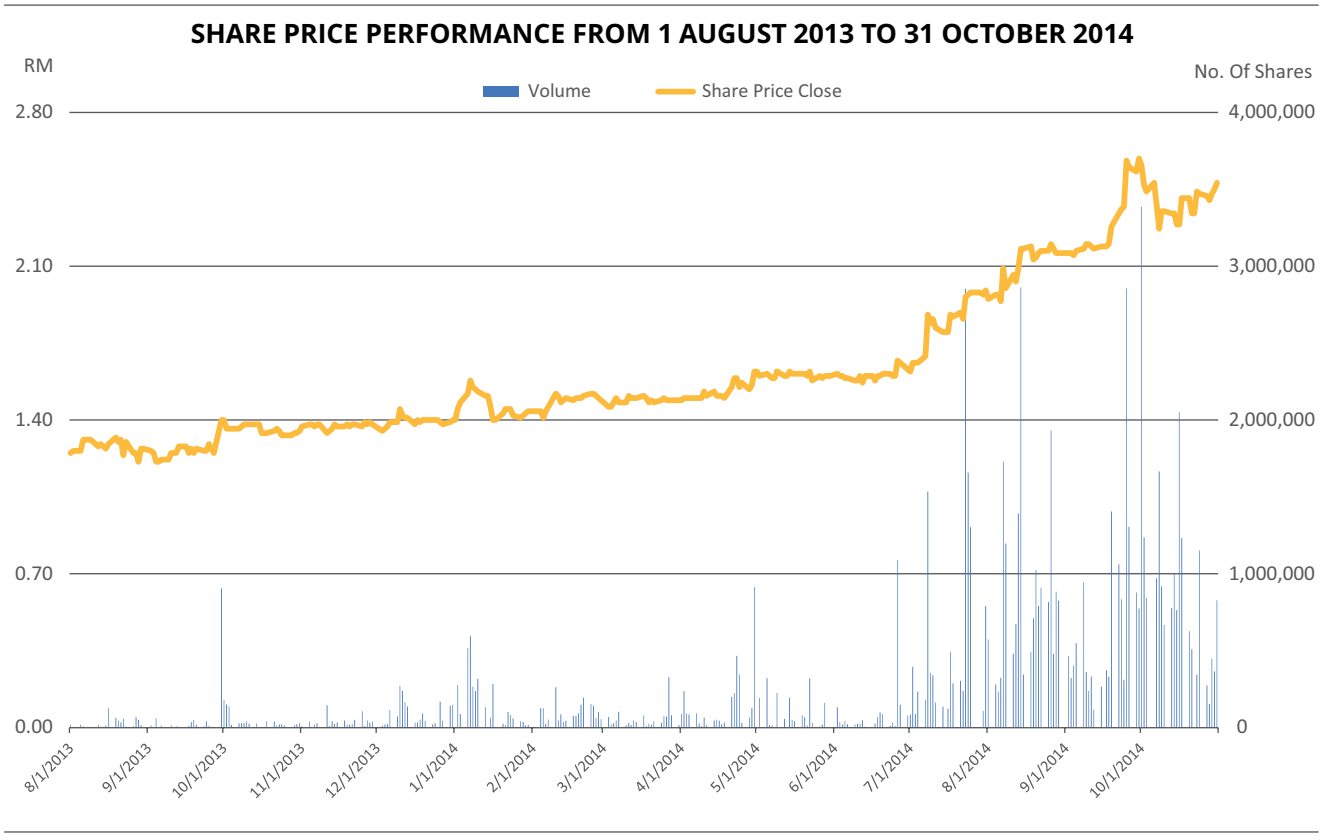


TAX-EXEMPT DIVIDEND PER SHARE (SEN)

[1] Compounded Annual Growth Rate from 2010 to 2014

[2] Inclusive of final single tier dividend of 3.5 sen per share for shareholders' approval

SHARE PRICE **PERFORMANCE**



Share Price @ Period Close (31 October 2014):	RM2.48
Market Capitalisation	RM494.4mil
FY14 Price-Earnings (PE) Ratio	9.2x
Price-to-Book Ratio	0.9x
FY14 Dividend Yield	4.7%*

* *Based on 11.7 sen dividend per share declared in respect of FY2014, including 3.5 sen final single tier dividend for shareholders' approval*



LETTER TO **SHAREHOLDERS**

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of V.S. Industry Berhad (VS or the Group), I am delighted to present you the Annual Report and audited financial results of the Group and Company for the financial year ended 31 July 2014 (FY2014).

ECONOMIC REVIEW

The global economy strengthened during second half of 2013 and continued to recover in the first half of 2014. Advanced countries, while accounting for much of the global growth, reported a mixed bag of results. The slow-but-steady progress of the United States buoyed by its accommodative monetary policy, was tempered by the Eurozone's sluggish pace.

At the same time, the emerging markets marked slower expansion amidst a more difficult external financial environment. China's growth continued to moderate as the world's second largest economy refocused its strategies from being export-oriented towards stimulating domestic consumption.

Under such an uncertain economic circumstances, I am pleased to note that VS remained resilient, staying true to our core competencies to build our expertise in the EMS sector and serve our customers to the best of our ability. This stable foundation enabled VS to chart another year of outperformance.

FY2014 FINANCIAL PERFORMANCE

Against the challenging market conditions in FY2014, VS delivered a commendable report card with strong revenue growth and improving profitability. Our group revenue soared 47.4% to RM1.7 billion from RM1.2 billion previously, largely due to consolidation of our China-based company – V.S. International Group Limited (VSIG).

Of the total revenue, RM1,078.4 million or 62.9% was generated from Malaysia operations, while RM567.6 million or 33.1% was derived from China operations. Meanwhile, the Indonesian business made up the remaining RM66.7 million, or 3.9% of the group revenue.

Despite higher operating and finance costs, group net profit registered a healthy 22.1% rise to RM53.6 million in FY2014, from RM43.9 million in the previous year. Basic earnings per share (EPS) increased correspondingly to 29.54 sen, from 24.23 sen previously.

The Group's balance sheet remained healthy, with higher cash and cash equivalents of RM123.5 million compared to RM97.3 million in the previous year-end; while shareholder's equity increased to RM526.2 million, from RM479.6 million previously.

While total borrowings of the enlarged Group increased to RM409.8 million in FY2014, versus RM361.8 million previously due to higher working capital needs, the stronger shareholder funds and cash balances caused Group's net gearing to improve to 0.5 times as at end-July 2014, versus 0.6 times previously.

DIVIDENDS

The Board maintained its stance to reward long-term shareholders for their strong support all these years.

In the current year under review, the Board declared a first interim single tier dividend of 2.2 sen per share in respect of FY2014, which was paid on 28 January 2014.

On 25 June 2014, the Board declared a second interim single tier dividend of 2.5 sen per share, which was paid on 15 August 2014.

On 30 September 2014, the Board declared a third interim single tier dividend of 3.5 sen per share, which was paid on 30 October 2014.

In addition, the Board has recommended a final single tier dividend of 3.5 sen per share, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

The aggregate dividend for the year under review amounted to 11.7 sen per share with dividend payout of RM22.5 million. Based on the Group's net profit attributable to owners of RM53.6 million, the Group distributed 42.0% of net profits as dividends to shareholders which is in tandem with VS' 40% dividend policy.

FUTURE PROSPECTS

Overall, International Monetary Fund (IMF) projects for the world gross domestic product (GDP) growth to grow at 3.3 percent in 2014 and 3.8 percent in 2015.

Despite some signs of economic recovery in the mature markets, the uncertainties regarding the extent and timing of the global recovery still affect the Electronics Manufacturing Services (EMS) sector. On top of the uncertain macroeconomic outlook, we have also seen keen competition among EMS players due to the fast-changing technological evolution in this EMS space.

Nonetheless, we opine that we have the necessary experience and factors to face the anticipated challenges ahead. We aim to continually be recognised by our global business partners for our Research & Development (R&D) capabilities and cost efficiency, towards becoming the EMS partner of choice.

To this end, we will continue to deepen our partnership and work closely with key customers to innovate product offerings. VS is also actively recruiting professionals in various fields to establish higher-value added manufacturing processes and sustain our long-term business growth.

Since inception in 1982, VS has weathered several major economic crises with persistence and agility. Today, we are proud that VS continues to be ranked alongside top global EMS providers, making it into the list of top 50 EMS providers for 7 years from 2007 to 2013.

Going forward, I am confident that we have the expertise, resources and people to grow alongside the global partners in the consumer electronics sector.

CORPORATE GOVERNANCE

The Board believes that a business built on the principles of good governance is likely to deliver a more sustainable and equitable growth in the long run. We are committed to high standards of corporate governance in our business and has applied the principles and supporting principles of the Malaysian Code on Corporate Governance 2012.

These measures are detailed in the Corporate Governance Statement in this Annual Report.

CORPORATE RESPONSIBILITY (CR)

Corporate responsibility is at the heart of our business and strategy. Ensuring our business practices are socially, environmentally and economically sustainable is part and parcel of how we do our business.

At VS, we are committed to providing a fulfilling workplace for our employees to growth further by providing conducive working environment, benefits and remunerations. In this area, our ultimate aims are to nurture our people's talents and to establish VS as the employer of choice.

The Group's Sustainability Policy contained in this Annual Report underlines the basic principles toward implementing our CR initiatives for greater good.

ACKNOWLEDGEMENTS

On behalf of all shareholders of the company, I would like to express my thanks and appreciation to our fellow Directors on the Board, senior executives and all other 10,000 employees around the world for persevering through a tough year together and emerging strongly as a team.

I also wish to thank our customers, suppliers, and business partners for their unwavering support. Your partnership is invaluable and we look forward to another year of prosperity ahead.

Datuk Beh Kim Ling
Chairman

FACE-TO-FACE WITH THE **MANAGEMENT**



WHAT WERE THE HIGHLIGHTS OF THE GROUP'S PERFORMANCE IN FY2014?

For the financial year ended 31 July 2014 (FY2014), VS posted group revenue of RM1.7 billion, a 47.4% increase compared to FY2013. Most of top line growth can be attributable to the Group's China operations through the acquisition of V.S. International Group Limited (VSIG) in July 2013. Even so, the Malaysian operations contributed nearly two-thirds of FY2014 group revenue.

Our core operating profit rose substantially to RM42.7 million in FY2014 from RM26.2 million in FY2013, after excluding one-off negative goodwill gain of RM28.5 million from the VSIG acquisition. The improvement in operating profit was primarily due to favourable product mix and enhanced operational efficiency.

I am pleased to note that in FY2014, we continued our strategy to expand customer base and develop key clients. In this regard, we have made headway in cultivating strong client relationships which we believe will lead to sustained performance in the future.

On top of that, we also intensified our Research & Development (R&D) efforts in collaboration with customers to develop unique product features, design and/or models. These initiatives go a long way towards differentiating ourselves in an intensely-competitive field and enable us to add value to our customers' proposition.

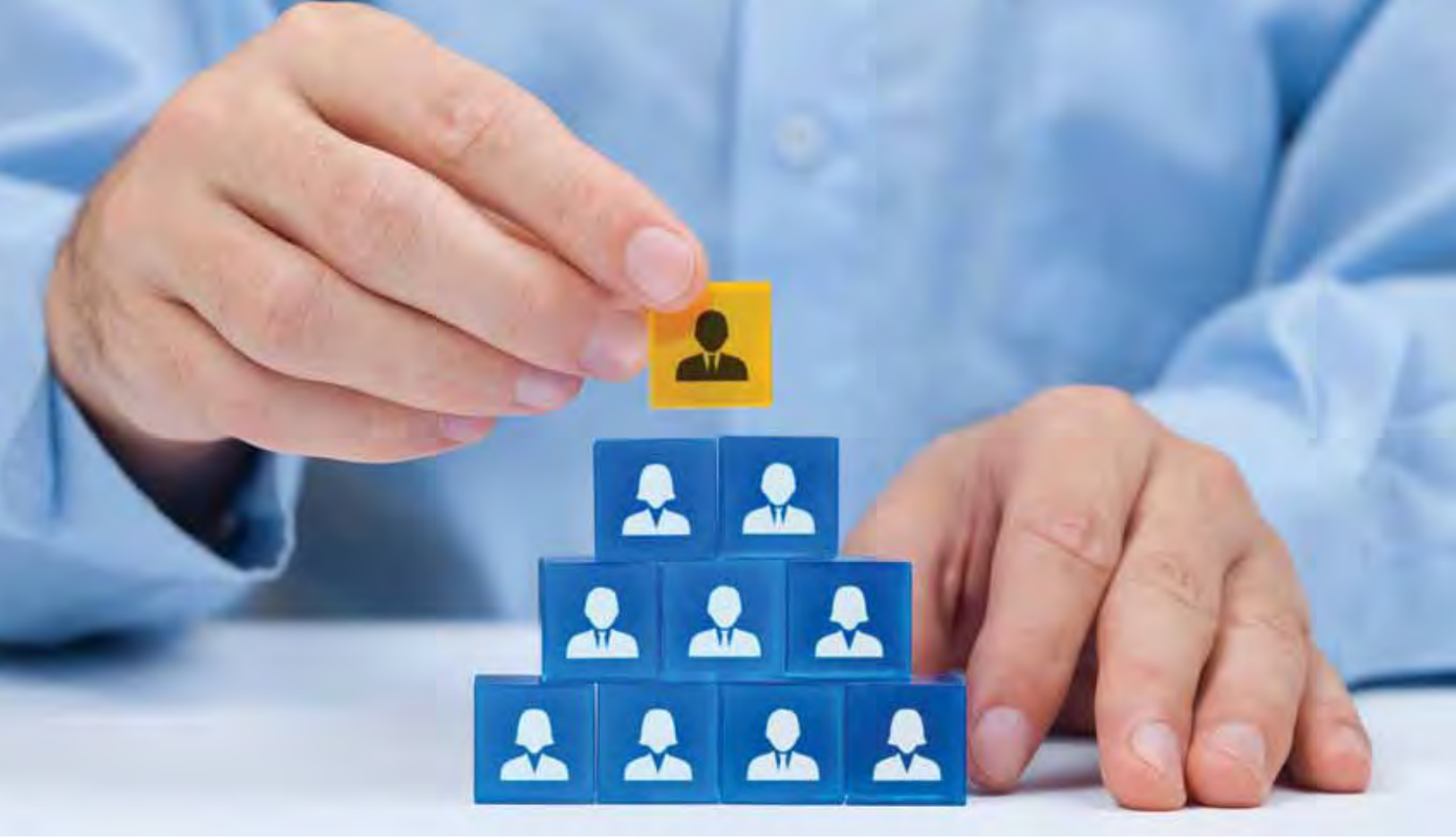
Furthermore, we continued to expand our scope of services in the Indonesian operations in the year under review, by adding plastic injection capabilities. This is in line with our direction to become a one-stop EMS provider, and beef up our positioning to attract global clientele. This extension necessitated our move to a new plant in May 2014, to accommodate the production requirement as well as improve our capacity for any increase in sales orders.

Last but not least, we are pleased that VS has retained and advanced our position in the global ranking of top 50 EMS providers in 2013, published annually by Manufacturing Market Insider. In fact, we have moved up a notch to rank 31st in 2013; no mean feat in view of the challenging environment.

WHAT ARE YOUR THOUGHTS ON THE PROSPECTS OF EMS INDUSTRY IN THE COMING YEAR?

In its latest bi-annual world economic outlook publication in October 2014, the International Monetary Fund (IMF) projected the global economy to grow by 3.3% in 2014 and by 3.8% in 2015.

The mediocre pace of global growth is reflective not only of the uncertain turnaround by the advanced economies, but also the near-corresponding impact on emerging markets. The IMF further cautioned that global confidence and growth remained dependent on various risk factors, including the persistently-high geopolitical risks which could lead to increased fuel prices and trade disruptions.



CONT'D

FACE-TO-FACE WITH THE **MANAGEMENT**

The dampened macroeconomic prospects may affect consumer sentiment and result in consumers adopting a wait-and-see approach towards spending on electronic items.

In addition to the demand pressures, EMS players also face the need to enhance manufacturing capabilities and optimise cost structure in response to the rapid pace of product innovation and keen competition in the EMS space to acquire larger market share.

That said, in spite of the challenging operating environment, VS will continue to implement strategic initiatives to enhance our core competencies to sustain our performance.

WHAT ARE THE GROWTH STRATEGIES FOR VS GOING FORWARD?

VS intends to employ a three-pronged approach in growing our business:

- ***Customer-focused.*** We firmly believe that our customers' achievements are our successes. We will maintain efforts to align our business operations to be responsive to our clients' needs and become a more pivotal manufacturing partner. At the same time, our dedicated R&D team and proven manufacturing capabilities enable us to provide our clients with high-quality and cost-effective products.
- ***Market-focused.*** As part of our ongoing initiatives to diversify our customer base and optimise our revenue potential, we will continue to focus on higher-value added products in growth industries. Additionally, we endeavour to improve operating efficiency by targeting high-volume business and leveraging on economics of scale. By being market-focused, we aim to be agile and flexible in adapting to the rapid technological changes in the EMS industry.
- ***People-focused.*** We at VS believe that sustainable growth and innovation are within our human capital. To this end, we are actively nurturing talents from various fields to propel our long-term business growth and achieve our Group's strategic objectives.

By being focused on our customers, market and people, we are confident that VS is well positioned to take on the challenges ahead.

Finally, the management wishes to express our gratitude for your ongoing support and hope to count on your continued partnership in the years ahead.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Second Annual General Meeting ("32nd AGM") of **V.S. INDUSTRY BERHAD** ("VSI" or "the Company") will be held at Perwira 1, Le Grandeur Palm Resort Johor, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor on Monday, 5 January 2015 at 10.00 a.m. for the following purposes:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 July 2014 together with the Directors' and Auditors' reports thereon. **(Please refer to Note No. 1)**

2. To approve the payment of a final single tier dividend of 3.5 sen per ordinary share of RM1.00 each for the financial year ended 31 July 2014. **RESOLUTION 1**

3. To approve the payment of Directors' fees totalling RM412,000 for the financial year ended 31 July 2014. **RESOLUTION 2**

4. To re-elect the following Directors retiring in accordance with the Articles of Association of the Company:

(a)	Datin Gan Chu Cheng	- Article 93	**RESOLUTION 3**
(b)	Dato' Gan Tiong Sia	- Article 93	**RESOLUTION 4**
(c)	Tan Sri Mohd Nadzmi Bin Mohd Salleh	- Article 93	**RESOLUTION 5**

5. To re-appoint the retiring Auditors, Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration. **RESOLUTION 6**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions:

6. **ORDINARY RESOLUTION**

Proposed Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **RESOLUTION 7**

7. ORDINARY RESOLUTION

Proposed Renewal of Shareholders' Approval for Share Buy-Back

"THAT, subject to compliance with the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, regulations and guidelines of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to allocate an amount not exceeding the total audited share premium and retained profits of the Company for the purpose of and to purchase such amount of ordinary shares of RM1.00 each ("VSI Shares") in the Company as may be determined by the Directors of the Company from time to time through the Bursa Securities as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company.

AND THAT upon completion of the purchase by the Company of its own shares, the Directors are authorised to retain the VSI Shares as treasury shares or cancel the VSI Shares or retain part of the VSI Shares so purchased as treasury shares and cancel the remainder. The Directors are further authorised to resell the treasury shares on the Bursa Securities or distribute the VSI Shares as dividends to the Company's shareholders or subsequently cancel the treasury shares or any combination of the three.

AND THAT the Directors be and are hereby empowered to carry out the above immediately upon the passing of this resolution and from the date of the passing of this resolution until:

i. the conclusion of the next Annual General Meeting of the Company at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

ii. the expiration of the period within which the next Annual General Meeting after that is required by law to be held; or

iii. revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is the earliest but not so as to prejudice the completion of purchase of own shares by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors deem fit, necessary or expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full power to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities." **RESOLUTION 8**

8. **ORDINARY RESOLUTION**

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang ("Proposed Renewal of Shareholders' Mandate for RRPTs with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang")

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 28 November 2014, subject to the following:

(i) the RRPTs are:
   (a) necessary for the day-to-day operations;

(b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
(c) are not detrimental to the shareholders of the Company; and

(ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang is subject to annual renewal and will continue to be in full force until:
(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." **RESOLUTION 9**

9. **ORDINARY RESOLUTION**

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with V.S. International Group Limited, its subsidiaries and associates ("Proposed Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates")

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with V.S. International Group Limited, its subsidiaries and associates as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 28 November 2014, subject to the following:

(i) the RRPTs are:
(a) necessary for the day-to-day operations;
(b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
(c) are not detrimental to the shareholders of the Company; and

(ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution."

RESOLUTION 10

10. **ORDINARY RESOLUTION**

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited ("Proposed Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited")

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 28 November 2014, subject to the following:

(i) the RRPTs are:

(a) necessary for the day-to-day operations;

(b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and

(c) are not detrimental to the shareholders of the Company; and

(ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution."

RESOLUTION 11

11. **ORDINARY RESOLUTION**

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd ("Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd")

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 28 November 2014, subject to the following:

(i) the RRPTs are:

(a) necessary for the day-to-day operations;

(b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and

(c) are not detrimental to the shareholders of the Company; and

(ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." **RESOLUTION 12**

12. **ORDINARY RESOLUTION**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Inabata & Co., Ltd and its subsidiaries ("Proposed Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries")

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Inabata & Co., Ltd and its subsidiaries as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 28 November 2014, subject to the following:

(i) the RRPTs are:
(a) necessary for the day-to-day operations;
(b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
(c) are not detrimental to the shareholders of the Company; and

(ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries is subject to annual renewal and will continue to be in full force until:
(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." **RESOLUTION 13**

13. **ORDINARY RESOLUTION**

Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Beeantah Pte Ltd ("Proposed New Shareholders' Mandate for RRPTs with Beeantah Pte Ltd")

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Beeantah Pte Ltd as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 28 November 2014, subject to the following:

(i) the RRPTs are:
   (a) necessary for the day-to-day operations;
   (b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
   (c) are not detrimental to the shareholders of the Company; and

(ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed New Shareholders' Mandate for RRPTs with Beeantah Pte Ltd during the period in which the Proposed New Shareholders' Mandate for RRPTs with Beeantah Pte Ltd is in force; and

(iii) the Proposed New Shareholders' Mandate for RRPTs with Beeantah Pte Ltd is subject to annual renewal and will continue to be in full force until:
   (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
   (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
   (c) revoked or varied by resolution passed by the shareholders in general meeting,

   whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." **RESOLUTION 14**

14. **ORDINARY RESOLUTION**

Retention of Independent Director

"That Tan Sri Mohd Nadzmi Bin Mohd Salleh be retained as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012." **RESOLUTION 15**

15. **ORDINARY RESOLUTION**

Retention of Independent Director

"That Mr Pan Swee Keat be retained as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012." **RESOLUTION 16**

16. **ORDINARY RESOLUTION**
Retention of Independent Director

"That Mr Tang Sim Cheow be retained as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012." **RESOLUTION 17**

17. To transact any other business for which due notice shall have been given.

Further notice is hereby given that for the purpose of determining a member who shall be entitled to attend the 32nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 26 December 2014. Only a depositor whose name appears on the Record of Depositors as at 26 December 2014 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

ANG MUI KIOW
CHIAM MEI LING
Secretaries

Johor Bahru
28 November 2014

NOTES:

1. Audited Financial Statements

This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the members/shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Form of Proxy

i. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.

ii. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

iii. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

iv. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

Where a Member or authorised nominee appoints two (2) proxies, or where an Exempt Authorised Nominee appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

v. All forms of proxy must be deposited at the Registered Office of the Company situated at Suite 7E, Level 7, Menara Ansar, 65, Jalan Trus, 80000 Johor Bahru, Johor, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Statement Accompanying the Notice of Annual General Meeting

Details of Directors standing for re-election at the 32nd AGM are stated in the Statement Accompanying the Notice of Thirty Second Annual General Meeting set out on page 23 of the 2014 Annual Report.

4. Explanatory Notes on Special Business

i. Proposed Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution No. 7, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued capital of the Company up to an amount not exceeding in total ten percent (10%) of the total issued and paid-up share capital of the Company for such purposes and to such person or persons as the Directors in their absolute discretion consider to be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The mandate sought under Ordinary Resolution No. 7 above is a renewal of an existing mandate and the proceeds raised from the previous mandate were RM27,457,537 (for the period from 2 January 2014 to 31 October 2014, latest practicable date) pursuant to the Company's Employees' Share Option Scheme which was approved at an Extraordinary General Meeting held on 19 November 2010.

The proceeds raised had been fully utilised for working capital.

The renewed general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital, acquisitions and/or paring down borrowings.

ii. Proposed Renewal of Shareholders' Approval for Share Buy-Back

The proposed Resolution No. 8, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the total issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information on the Proposed Share Buy-Back, please refer to the Share Buy-Back Statement dated 28 November 2014 accompanying the Company's 2014 Annual Report.

iii. Proposed Renewal of Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

The proposed Resolutions No. 9 to 14, if passed, will authorise the Company and/or its subsidiaries to enter into RRPTs with the respective related parties as set out in Section 2.3, Part B, the Circular to the Shareholders dated 28 November 2014. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information on the Proposed Renewal of Shareholders' Mandate for RRPTs and New Shareholders' Mandate for RRPTs, please refer to the Circular to Shareholders dated 28 November 2014 which was circulated together with the 2014 Annual Report.

iv. Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance 2012 (Resolution 15, Resolution 16 and Resolution 17)

(a) Tan Sri Mohd Nadzmi Bin Mohd Salleh

Tan Sri Mohd Nadzmi Bin Mohd Salleh was appointed as an Independent Non-Executive Director of the Company on 24 October 1996 and has, therefore served for more than nine (9) years. As at the date of the notice of the 32nd AGM, he has served the Company for 18 years. However, he has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR"). The Board, therefore, considers him to be independent and believes that he should be retained as Independent Non-Executive Director.

(b) Mr Pan Swee Keat

Mr Pan Swee Keat was appointed as an Independent Non-Executive Director of the Company on 22 May 2001 and has, therefore served for more than nine (9) years. As at the date of the notice of the 32nd AGM, he has served the Company for 13 years. However, he has met the independence guidelines as set out in Chapter 1 of the MMLR. The Board, therefore, considers him to be independent and believes that he should be retained as Independent Non-Executive Director.

(c) Mr Tang Sim Cheow

Mr Tang Sim Cheow was appointed as an Independent Non-Executive Director of the Company on 1 October 2004 and has, therefore served for more than nine (9) years. As at the date of the notice of the 32nd AGM, he has served the Company for 10 years. However, he has met the independence guidelines as set out in Chapter 1 of the MMLR. The Board, therefore, considers him to be independent and believes that he should be retained as Independent Non-Executive Director.

STATEMENT ACCOMPANYING NOTICE OF
THIRTY SECOND ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. The Directors standing for re-election are:

(a)	Datin Gan Chu Cheng	- Article 93	**RESOLUTION 3**
(b)	Dato' Gan Tiong Sia	- Article 93	**RESOLUTION 4**
(c)	Tan Sri Mohd Nadzmi Bin Mohd Salleh	- Article 93	**RESOLUTION 5**

Further details of the above named Directors and their interest in the securities of the Company are set out in the profile of Directors on page 25 and page 130 of the Annual Report respectively.



DIRECTORS' **PROFILE**

Datuk Beh Kim Ling
Executive Chairman

Datuk Beh Kim Ling, aged 56, a Malaysian, was appointed to the Board on 4 August 1982. He brings to the Board more than thirty years of contract manufacturing experience in the plastic injection and electronics & electrical assembly industries.

He started his career in 1976 as a plastic injection moulding technician in Singapore. In 1979, he set up V.S. Industry Pte. Ltd. in Singapore, manufacturing cassettes and video tapes. In 1982, he relocated the entire business operations from Singapore to Johor Bahru and, together with his wife, Datin Gan Chu Cheng, incorporated V.S. Industry Berhad. His leadership and entrepreneurial skills have helped advance the Group to be an international player in the field of Electronics Manufacturing Services ("EMS").

He holds directorship positions in various subsidiary companies of the Company and also in other private limited companies. Datuk Beh is the brother-in-law to Datuk Gan Sem Yam and Dato' Gan Tiong Sia. Datuk Beh has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

Datuk Gan Sem Yam
Managing Director

Datuk Gan Sem Yam, aged 58, a Malaysian, is the Managing Director of V.S. Industry Berhad. He is also a member of the Nomination and Remuneration Committees.

He joined the Group in 1982 and played the key role in setting up the plastic finishing and electronic assemblies division. He was promoted to General Manager and appointed as an Executive Director of the Company on 27 February 1988.

Datuk Gan was instrumental in the business integration and expansion of the Group since 1990. He sits on the board of various subsidiary companies of the Company and also holds directorship in other private limited companies. Datuk Gan is the brother to Datin Gan Chu Cheng and Dato' Gan Tiong Sia and brother-in-law to Datuk Beh Kim Ling. Datuk Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

Tan Sri Mohd Nadzmi Bin Mohd Salleh
Senior Independent Non-Executive Director

Tan Sri Mohd Nadzmi Mohd Salleh aged 60, a Malaysian, joined the Board on 24 October 1996. He was nominated as the Senior Independent Non-Executive Director on 1 August 2005, and is a member of the Audit Committee.

Tan Sri Mohd Nadzmi has extensive corporate experience; notably 12 years with Edaran Otomobil Nasional Berhad and Perusahaan Otomobil Nasional Berhad ("PROTON"). He became the Deputy Managing Director of PROTON in November 1992 and was later promoted as the Managing Director of PROTON in June 1993. He left PROTON in May 1996 to pursue development of his privately-owned businesses. He was later the Chairman of Proton Holdings Berhad from January 2009 to March 2012.

He is also the Executive Chairman of Express Rail Link Sdn. Bhd. and Nadicorp Holdings Sdn. Bhd.. He is also Chairman/ Managing Director of Konsortium Transnasional Berhad, and Transocean Holdings Berhad.

Tan Sri Mohd Nadzmi obtained a Bachelor of Arts Degree in Economics and a Bachelor of Science Degree in Chemistry and Mathematics from Ohio University, USA in 1978. He later obtained a Master of Arts Degree in Economics and Statistics from Miami University, USA in 1980. Tan Sri Mohd Nadzmi does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

Datin Gan Chu Cheng
Executive Director

Datin Gan Chu Cheng, aged 60, a Malaysian, was appointed to the Board on 4 August 1982. She is responsible for the finance and corporate planning of the Group. Together with her husband, Datin Gan established V.S. Industry Berhad in 1982. Equipped with good business acumen and more than 20 years of enterprise building experience, she had played a key role in the Group's expansion, both locally and overseas.

She sits on the board of various subsidiary companies of the Company and also holds directorship in other private limited companies. Datin Gan is the wife of Datuk Beh Kim Ling and sister to Datuk Gan Sem Yam and Dato' Gan Tiong Sia. Datin Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. She has not been convicted of any offences within the past ten (10) years.

Dato' Gan Tiong Sia
Executive Director

Dato' Gan Tiong Sia, aged 54, a Malaysian, was appointed to the Board on 27 February 1988. He joined the Company in 1982 as a Management Trainee and was promoted to Marketing Manager in 1986. He is responsible for the overall marketing function of the Group.

He also sits on the board of various subsidiary companies of the Company. Dato' Gan is the brother to Datin Gan Chu Cheng and Datuk Gan Sem Yam and brother-in-law to Datuk Beh Kim Ling. Dato' Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

Ng Yong Kang
Executive Director

Ng Yong Kang, aged 53, a Malaysian, joined the Board on 1 August 2005.

He comes with extensive engineering and operations experience in the manufacturing sector, with multinational corporations like General Electric (TV) Sdn. Bhd., Thomson Audio Muar Sdn. Bhd., Lion Plastic Industry Sdn. Bhd. and Likom Group of Companies. He also sat on the board of several private companies in Malaysia, Singapore, People's Republic of China, United States of America and Mexico.

Mr. Ng joined the Group in 2002 as a Group General Manager, and was subsequently promoted to his current position. He graduated from the National Taiwan University, Taiwan, Republic of China with a Bachelor of Science in Mechanical Engineering in 1985, obtained a Diploma in Management from the Malaysian Institute of Management in 1992, and has a Master in Business Administration from the Heriot-Watt University, Edinburgh, Scotland, United Kingdom in 2002.

Mr. Ng does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

Pan Swee Keat
Independent Non-Executive Director

Pan Swee Keat, aged 51, a Malaysian, joined the Board on 22 May 2001. He is the Chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee.

He has wide experience in auditing, accounting, banking and finance, including Assistant Accountant with Hong Leong Industries Berhad, Senior Audit positions in KPMG, Assistant Manager with Affin Finance Berhad, Audit Manager with Pang Fee Yoon & Co, an audit firm in Malacca, and dealer representative with Straits Securities Sdn. Bhd.

He is currently a consultant with Cheng & Co, a firm of Chartered Accountants who specializes in audit and accounting, after his accounting firm, PSK & Co, merged with Cheng & Co in July 2012. He completed his Association of Chartered Certified Accountants ("ACCA") programme at Emile Woolf College, London, and became an associate member of Chartered Association of Certified Accountants (UK) in 1992. He is a fellow member of ACCA.

Mr. Pan does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

Tang Sim Cheow
Independent Non-Executive Director

Tang Sim Cheow, aged 55, a Malaysian, was appointed to the Board on 1 October 2004. He is the Chairman of the Audit Committee and Nomination Committee, and a member of the Remuneration Committee.

He is a Chartered Accountant registered with the Malaysian Institute of Accountants, an associate member of the Malaysian Institute of Certified Public Accountants and a fellow member of the Chartered Tax Institute of Malaysia. He graduated from University of Malaya with a Bachelor of Accountancy (Honours) Degree in 1984.

Mr. Tang has extensive experience in taxation, auditing and corporate planning and restructuring, including a 17-year attachment with KPMG, an international accounting firm. Currently he operates an auditing firm, S C Tang & Associates.

Mr. Tang does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

Chong Chin Siong
Alternate Director to Datin Gan Chu Cheng

Chong Chin Siong, aged 47, a Malaysian, was appointed to the Board on 1 August 2014.

Mr. Chong graduated from Universiti Sains Malaysia with a Bachelor of Management (Accounting and Financial Management) Degree in 1992.

He has extensive experience in internal audit, corporate finance and financial management, starting his career in Deloitte KassimChan, and later becoming the Assistant Accountant in Leong Hup Holdings Berhad. He joined Harta Packaging Industries Sdn. Bhd. as Financial Analyst, where he was promoted to Internal Audit Manager, and subsequently Financial Controller. He assumed the position of Deputy General Manager with Harta Packaging Industries (Cambodia) Ltd in 2005, before becoming Assistant General Manager with PCCS Garments Ltd, Cambodia.

Mr. Chong joined V.S. International Group Limited as Corporate Financial Controller in 2009, before assuming the role of Group Financial Controller in 2014.

Mr. Chong does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

CORPORATE GOVERNANCE **STATEMENT**

The Board of Directors support high standards of corporate governance and is committed to ensuring that good corporate governance are being practiced throughout the Group as a fundamental part of discharging its responsibilities to enhance shareholders' value and financial performance of the Group.

This statement sets out the manner in which the Company has applied the Principles of Corporate Governance and the extent of compliance with the Recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("the Code").

A. PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILIITIES

The Board is fully responsible for the overall performance of the Group. It provides stewardship to the Group's strategic direction and operations in order to enhance shareholders' value. The Directors, with their sharp business acumen coupled with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise to enable the Board to lead and control the Company effectively.

The Board Charter adopted by the Board clearly sets out the roles and responsibilities of the Board. The Board Charter and the Corporate Governance Statement are made available in the Company's website and will be periodically reviewed.

The Board assumes, amongst others, the following roles and responsibilities:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group's business;
- Identifying principal risks and ensuring the implementation of a proper risk management system to manage such risks;
- Overseeing the development and implementation of shareholder communications policy;
- Reviewing the adequacy and the integrity of the management information and internal controls systems of the Group

There is also clear division of responsibilities between the Executive Chairman and Managing Director to ensure a balance of power and authority in managing the Group. The primary responsibilities of the Executive Chairman, among others, are providing overall leadership to the Board and ensuring that the Group's corporate objectives are met. The Managing Director is primarily responsible for making and implementing operational decisions and managing the day-to-day operations of the Group.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which can be viewed from CCM's website at www.ssm.com.my.

The Group is committed to operating in a sustainable manner and seek to contribute positively to the well-being of stakeholders. Details of the Group's key corporate responsibility is furnished in the Sustainability Report on page 35 of the Annual Report.

B. PRINCIPLE 2: STRENGTHEN COMPOSITION

The Company's Articles of Association provide that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire at each year are the Directors who have been longest in office since their appointment or re-election. The Articles of Association also provide that all Directors shall retire from office at least once in every three years but shall be eligible for re-election.

The Board, in discharging its fiduciary duties, is assisted by the three (3) Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, each entrusted with specific tasks. The terms of reference of each Committee have been approved by the Board.

The Nomination Committee assists the Board in recommending appointment of new directors and assessing the effectiveness of the Board.

The membership of the Nomination Committee are as follows:

Chairman – Tang Sim Cheow *(Independent Non-Executive Director)*
Members – Pan Swee Keat *(Independent Non-Executive Director)*
Datuk Gan Sem Yam *(Managing Director)*

The Nomination Committee consists of majority but not exclusively Non-Executive Directors as recommended by the Code. The Board is of the opinion that the Managing Director would be able to advise on the suitability and assess the required mix of expertise and experience of the candidate for new appointment due to his extensive knowledge and experience in the Company's business operation and industry.

The Chairman of the Nomination Committee is Independent Non-Executive Director but not the Senior Independent Non-Executive Director as recommended by the Code. The Board is of the opinion that the Independent Non-Executive Director is capable of carrying out his duties as the Chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are as follows:

- To review the structure of the Board periodically and recommend changes when necessary to the Board;
- To identify new appointees for the Board and consider the required mix of skill and experience which the Directors should bring to the Board;
- To assess the effectiveness of the Board and the contribution of individual Directors; and
- To recommend Directors to fill the seat on Board Committee.

The Board through the Nomination Committee, reviews annually its required mix of skills and experience and other qualities, which Directors should bring to the Board.

The Remuneration Committee is responsible for recommending to the Board on the remuneration framework and packages of all Directors. The Directors play no part in deciding their own remuneration and shall abstain from discussing or voting on their own remuneration.

The Remuneration Committee consists mainly of Non-Executive Directors. The membership of the Remuneration Committee are as follows:

Chairman – Pan Swee Keat *(Independent Non-Executive Director)*
Members – Tang Sim Cheow *(Independent Non-Executive Director)*
Datuk Gan Sem Yam *(Managing Director)*

The terms of reference of the Remuneration Committee are as follows:

- To set the policy framework for making recommendations to the Board on remuneration packages and benefits extended to the Executive Directors and the remuneration package of Non-Executive Directors will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration; and
- Monitors and reports on general trends and proposal concerning employment conditions and remuneration.

The remuneration of each Director reflects the level of responsibility and commitment which goes with the Board membership. The levels of remuneration for Executive Directors are structured according to the skills, experience and performance of the Executive Directors in order to attract, retain and motivate the Executive Directors to run the Group successfully. The levels of remuneration for Independent Non-Executive Directors are based on their contribution to the Group in terms of their knowledge and experience.

Details of the nature and the amount of the Directors' remuneration paid or payable by the Group for the financial year ended 31 July 2014 are as follows:

	Executive Directors	Non-Executive Directors	Total
	RM'000	RM'000	RM'000
Basic Salary	10,502	-	10,502
Bonus	1,647	-	1,647
Performance Incentive (inclusive EPF)	5,000*	-	5,000
Allowance	704	-	704
EPF	965	-	965
Socso	3	-	3
Benefits-in-kind	124	-	124
Fees	189	382	571
	19,134	**382**	**19,516**

* The Executive Directors resolved to allocate RM 2.0 million out of their entitlement under the Performance Incentive Scheme to the management staff. The above figure is net of RM 2.0 million waived by the Executive Directors.

The number of Directors of the Company whose remuneration fall within the following bands are:

	Number of Directors	
Range of Remuneration	Executive	Non-Executive
RM 50,001 to RM 100,000	-	1
RM 100,001 to RM 150,000	-	1
RM 150,001 to RM 200,000	-	1
RM1,000,001 to RM1,050,000	1	-
RM1,850,001 to RM1,900,000	1	-
RM3,200,001 to RM3,250,000	1	-
RM3,250,001 to RM3,300,000	1	-
RM4,450,001 to RM4,500,000	1	-
RM5,100,001 to RM5,150,000	1	-
	6	**3**

Details of the remuneration of each director are not disclosed as it is deemed private and confidential.

C. PRINCIPLE 3: REINFORCE INDEPENDENCE

The Board comprises five (5) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Alternate Director. The Board is led by an experienced Executive Chairman.

The composition of the Board complies with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") to have at least two (2) directors or one-third of the Board, whichever is higher, to be Independent Directors. The Board has ensured the appointment of an independent director who is not a member of management and the appointee is free from any relationship which could interfere with the exercise of independent opinion and the ability to act in the best interests of the Group.

The Board should comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director as recommended by the Code. The Board is of the opinion that it is in the interest of the Group to maintain the current arrangement so that the Board could have the benefit of a Chairman who is knowledgeable about the business of the Group.

The Board has not established any gender diversity policy but currently has a female Director on the Board.

The Board has adopted the same criteria used in the definition of "independent directors" prescribed by the MMLR to assess independence of directors. For the financial year ended 31 July 2014, each of the Independent Non-Executive Directors has declared his independence to the Board based on its policy on criteria of assessing independence in line with the definition of "independent directors" prescribed by MMLR. The Board has assessed and concluded that all the Independent Non-Executive Directors remain objective and independent.

The tenure of an Independent Director should not exceed a cumulative term of nine years as recommended by the Code. All the Independent Directors who have served the Board for more than nine (9) years, have been recommended by the Board to be retained as Independent Directors on the ground that they are able to bring independent and objective judgments to the board deliberations and their position in the Board have not been compromised by their familiarity and long relationships with other board members. Their continuation as Independent Non-Executive Directors shall be subject to shareholders' approval in the forthcoming Annual General Meeting.

D. PRINCIPLE 4: FOSTER COMMITMENT

In line with the recommendation of the Code pertaining to the Board should set out the expectations on time commitment for its members and protocols for accepting new directorships, each Director is required to notify the Chairman of the Board prior to accepting directorships outside the Group. Similarly, the Chairman of the Board shall also do likewise before taking up any additional appointment of directorships. The notification will also include an approximate indication of time that will be spent by the Directors on the new directorships.

The Board meets on a quarterly basis and additionally as required. Quarterly meetings are scheduled in advance annually for the Directors to plan ahead of their schedules. The Board reviews, amongst others, the performance of the major unlisted operating subsidiaries of the Company and approves the quarterly results of the Group. The Board tracks the performance of the management against the annual plan submitted for each financial year.

Notice of meetings setting out the agenda and accompanied by the relevant Board papers are given to the Directors in sufficient time to enable the Directors to peruse, obtain additional information and/or seek further clarification on the matters to be deliberated.

All Directors, whether as a Board or in their individual capacity have full access to information within the Group and to obtain independent professional advice in furtherance of their duties at the Group's expense, if required. In addition, all Directors have access to the advice and services of the Company Secretary in carrying out their duties.

During the financial year ended 31 July 2014, the Board held four (4) meetings where it deliberated upon a variety of issues including the Group's financial results and operational issues. Details of each existing Director's meeting attendances are as follows:

Name	Attendance
Datuk Beh Kim Ling	4/4
Datuk Gan Sem Yam	4/4
Datin Gan Chu Cheng	4/4
Dato' Gan Tiong Sia	4/4
Ng Yong Kang	4/4
Tan Sri Mohd Nadzmi bin Mohd Salleh	3/4
Pan Swee Keat	4/4
Tang Sim Cheow	4/4

All Directors have complied with the minimum attendance at Board meetings as stipulated by the MMLR of Bursa Securities.

All Directors have completed the Mandatory Accreditation Programme as required by Bursa Securities. The Directors are mindful that they should continue to attend relevant seminars and briefings to stay abreast with current developments of the ever-changing business environment, regulatory and corporate governance developments to enhance their professionalism and knowledge to effectively discharge their duties and obligations.

During the financial year, the Directors have attended the following seminar/briefing:

Name of Director	Topic of seminar/briefing
Datuk Beh Kim Ling	Update on Corporate Governance and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Datuk Gan Sem Yam	Update on Corporate Governance and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Datuk Gan Chu Cheng	Update on Corporate Governance and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Dato' Gan Tiong Sia	Update on Corporate Governance and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Ng Yong Kang	Goods & Services Tax – An Introductory Course
Tan Sri Mohd Nadzmi Bin Mohd Salleh	Effective Corporate Mergers and Acquisition
Tang Sim Cheow	• The Proposed Companies Bill 2013 • National Tax Seminar 2013 • Risk Management & Internal Control : Workshop for Audit Committee
Pan Swee Keat	Goods & Services Tax and Manufacturers, Importers & Exporters

E. PRINCIPLE 5: UPHOLD INTEGRITY AND FINANCIAL REPORTING

The Board aims to present a balanced and understandable assessment of the Group's financial performance and prospects through the quarterly announcements of results to shareholders as well as the Chairman's statement in the annual report. The Audit Committee assists the Board in overseeing the Group's financial reporting processes and the quality of its financial reporting.

The Board is responsible for ensuring that the financial statements of the Group and of the Company give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of the results of the operations and cash flows for the period then ended. In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgment and estimates.

The Company, through its Audit Committee, has always maintained a transparent professional relationship with its external auditors. The Audit Committee members have met and discussed with the external auditors twice during the financial year ended 31 July 2014. In the course of audit of the Group's financial statements, the external auditors have highlighted to the Audit Committee and the Board, matters that require the Board's attention. Audit Committee meetings are attended by the external auditors for purposes of presenting their audit plan and report and for presenting their comments on the audited financial statements.

On annual basis, prior to the commencement of the audit engagement, through the Audit Planning Memorandum, the external auditors confirm to the Audit Committee on their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirement.

F. PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

The Board is responsible for the Group's risk management framework and system of internal control and for reviewing their adequacy and integrity. While acknowledging their responsibility for the system of internal control, the Directors are aware that such a system is designed to manage rather than eliminate risks and therefore cannot provide an absolute assurance against material misstatement or loss.

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding shareholders' investment and the Group's assets, the Group has in place, an adequately resourced internal audit department. The activities of this department which reports regularly to the Audit Committee provide the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control. As proper risk management is a significant component of a sound system of internal control, the Group has also put in place a risk management process to help the Board in identifying, evaluating and managing risks.

The Statement on Risk Management and Internal Control furnished on page 39 to 40 of the Annual Report provides an overview of the state of internal controls within the Group.

G. PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board observes the Corporate Disclosure Guide issued by the Bursa Securities which can be viewed from Bursa Securities' website at www.bursamalaysia.com as well as adhering to and complying with the disclosure requirements of the MMLR.

The Board acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public at large.

The Board has ensured that relevant disclosure requirements required by Bursa Malaysia Listing Requirements are complied with.

The Group maintains a corporate website at www.vs-i.com which provides information relating to corporate information, financial calendar, dividend history, capital changes, corporate factsheet, annual reports, press release, analyst reports, quarterly results and etc. In line with the Code, the Board Charter, Memorandum and Articles & Association of the Company and other relevant and related documents or reports relating to Corporate Governance would be made available on the aforesaid website.

H. PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Company recognizes the importance of maintaining effective communication with its investors and shareholders and does this through the annual report, announcement to the Bursa Securities, Company website and meeting with analysts and fund managers.

In addition, the Company welcomes shareholders, fund analysts and institutional investors to visit the Company. Directors will hold meetings and dialogue with the visitors to brief them on the Company's business and financial performance.

The Annual General Meeting serves as a principal forum for dialogue with shareholders. At the Annual General Meeting, opportunities are given to the shareholders to raise questions and seek clarification on the business and performance of the Company.

The Board has appointed Tan Sri Mohd Nadzmi Bin Mohd Salleh as the Senior Independent Non-Executive Director to whom concerns may be conveyed.

The current minimum notice period for notices of meetings is as prescribed in MMLR and the Board is of the view that it is adequate. However, the Board notes the recommendation of the Code to serve notices for meetings earlier than the minimum notice period and will endeavour to meet this recommendation for future meetings.

The rights of shareholders, including the rights to demand for a poll, are found in the Articles of Association of the Company and a copy has been made available on the Company's website.

I. OTHER INFORMATION

(i) Material Contracts

Other than the related party transactions entered into in the ordinary course of business as disclosed in Note 30 to the financial statements, there are no other material contracts entered into by the Group involving Directors' or major shareholders' interest, either subsisting at the end of the financial year ended 31 July 2014 or entered into since the end of the previous financial year.

(ii) Non-Audit Fees

During the financial year ended 31 July 2014, the non-audit fee incurred for services rendered to the Group by the Company's external auditors amounted to RM9,000.

(iii) Share Buy-back

Details of share repurchased during the financial year ended 31 July 2014 are as follows:

Month	No. of shares repurchased	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration (RM)
September 2013	5,000	1.29	1.27	1.29	6,439
March 2014	5,000	1.50	1.50	1.50	7,555
Total	**10,000**				**13,994**

At the end of the financial year, a total of 1,129,336 of the repurchased shares are being held as treasury shares and carried at cost. There is no resale of treasury shares or cancellation of shares during the financial year.

(iv) Employees' Share Option Scheme

The Company has one Employees' Share Option Scheme ("ESOS") in existence during the financial year. Details of the scheme since the commencement are as follows:-

	Number of options over ordinary shares of RM1.00 each ('000)		
	Directors	Employees	Total
Total options granted	5,850	28,377	34,227
Total options exercised/lapsed	(2,340)	(11,048)	(13,388)
Total options outstanding	3,510	17,329	20,839

Pursuant to the Company's ESOS By-laws, not more than 50% of the options available under the scheme shall be allotted, in aggregate, to Directors and senior management.

Since the commencement of the scheme, 23.75% of the options granted under the scheme have been granted to Directors and senior management.

During the financial year, 21.49% of the options have been granted to Directors and senior management.

(v) Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting held on 2 January 2014, the Company obtained shareholders' mandate allowing the Group to enter into recurrent related party transactions of a revenue or trading nature as disclosed in the Circular to Shareholders dated 10 December 2013.

In accordance with Section 3.1.5 of Practice Note No. 12 of the MMLR of Bursa Securities, the details of recurrent related party transactions conducted during the financial year ended 31 July 2014 pursuant to the shareholders' mandate are disclosed as follows:

Transacting Parties	Related Parties	Nature of Transactions	Amount transacted during the financial year RM'000
VSI and Datuk Beh Kim Ling	Datuk Beh Kim Ling	Rental of two (2) units of single storey terrace houses to VSI as hostel	12
VSI and Beh Chu Hiok	Datuk Beh Kim Ling	Rental of one (1) unit of single storey terrace house to VSI as hostel	5
VSI and Gan Siew Tang	Datin Gan Chu Cheng Datuk Gan Sem Yam Dato' Gan Tiong Sia	Rental of one (1) unit of single storey terrace house to VSI as hostel	7
VSI Group and VSIG Group	Datuk Beh Kim Ling Datin Gan Chu Cheng Datuk Gan Sem Yam Dato' Gan Tiong Sia	Purchases of tooling, bins, resins, plastic component parts and equipments	8,238
VSI Group and Lip Sheng International Ltd / Lip Sheng Precision (Zhuhai) Co., Ltd	Datin Gan Chu Cheng Datuk Gan Sem Yam Dato' Gan Tiong Sia	Purchases of tooling, sales related to tooling fabrication Sales commission income	5,810 665
VSI Group and Firstclass Returns Sdn Bhd	Datuk Beh Kim Ling Datuk Gan Sem Yam	Rental of factory premises	58
VSI Group and Inabata Group	Inabata & Co., Ltd	Purchases of resins and equipments	15,780
VSI Group and VSME	Datuk Gan Sem Yam Dato' Gan Tiong Sia	Sales of plastic or electronic component, parts and products	1,718

Abbreviations
"VSI" : V.S. Industry Berhad
"VSI Group" : VSI and its subsidiaries
"VSIG Group" : V.S. International Group Limited, its subsidiaries and associates
"Inabata Group" : Inabata & Co., Ltd and its subsidiaries

SUSTAINABILITY **POLICY**

At VS, we have embraced corporate responsibilities as an integral part of carrying out our business. We are always mindful of the importance of environmental sustainability and a commitment to be a benefit to the larger society as well as to safeguard the welfare of our employees.

We focus on 4 main corporate responsibilities pillars:-

- **ENVIRONMENT**
  - We remain compliant with rules and regulations across various aspects, such as noise, waste water and air quality monitoring, ducting systems for exhaust ventilation, and handling all hazardous substances.
  - Our procurement and manufacturing practices are in line with "green" principles.
  - We minimize the impact to the environment by reducing materials consumption through recycle all waste materials.
  - We manage and dispose of all waste in a responsible manner. For instance, we has built a scheduled waste store with second containment to prevent spillage into inland water and an oil trap filtration system to filter cooking oil and other solids from the canteen's waste water.

- **WELFARE OF THE EMPLOYEES**
  - We endeavour to ensure a safe and healthy working environment for our employees. We became the pioneer company in Southern Peninsular Malaysia to implement the Contractor Safety Passport Systems (CSPS) in collaboration with the National Institute of Occupational Safety and Health (NIOSH). The CSPS certifies contractors and workers' competency in conducting their jobs in a safe and risk-free manner.
  - We ensure that every employee is treated fairly. We attained the Fair Working Condition (FWC) Awards in 2008.
  - We value our employees by enhancing our employees' skills and knowledge through staff training and development.

- **COMMUNITY**
  - We provide assistance in cash and in kind towards local authorities and community groups.

- **MARKETPLACE**
  - We ranked alongside top global EMS providers – making the list into the world's top 50 EMS providers for 7 consecutive years from 2007 to 2013.
  - We commit excellence on product innovation, via the undertaking of continual R&D initiatives with our customers.
  - We focus on continuously developing our existing clients to create long-term partnerships.
  - We endeavour to comply with best practices under the Malaysian Code on Corporate Governance. A sound system of corporate governance is in place to enhance and protect shareholders' value for the long term.

AUDIT COMMITTEE **REPORT**

MEMBERSHIP

The Audit Committee was established on 13 March 1998. The Audit Committee comprises of the following members:

Chairman - Tang Sim Cheow *(Independent Non-Executive Director)*
Members - Pan Swee Keat *(Independent Non-Executive Director)*
- Tan Sri Mohd Nadzmi bin Mohd Salleh *(Senior Independent Non-Executive Director)*

MEETINGS

During the financial year ended 31 July 2014, the Committee convened four (4) meetings. The meetings were appropriately structured through the use of agendas, which were distributed to members prior to the meeting.

The Executive Directors, the representative of the Internal Audit, the representatives of the external auditors, Messrs KPMG, members of the management and employees of the Group were present as and when invited.

Details of attendance are listed below:

Name of members	Attendance
Tang Sim Cheow	4/4
Pan Swee Keat	4/4
Tan Sri Mohd Nadzmi bin Mohd Salleh	3/4

SUMMARY OF ACTIVITIES

During the year, the main activities undertaken by the Committee were as follows:

i. Reviewed the quarterly unaudited financial results and announcement prior to recommending the same for the Board's approval.
ii. Reviewed the external auditors' scope of work and audit plan for the financial year 2014.
iii. Reviewed with the external auditors the results of the audit, the audit report and the management letter.
iv. Reviewed the internal audit planning and internal audit reports.
v. Reviewed the related party transactions entered into by the Group.
vi. Verified the allocation of the Employees' Share Option Scheme ("ESOS") to ensure that it is in accordance with criteria set out in the ESOS By-laws of the Company.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by an independent internal audit department. The main role of the department is to undertake independent, regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems are operating and continue to operate satisfactorily and effectively. The total costs incurred in connection with the internal audit function during the financial year amounted to RM618,000.

Further details of the activities of the internal audit department are set out in the Statement on Risk Management and Internal Control on page 39 to 40 of the Annual Report.

TERMS OF REFERENCE

1. Objectives

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and the Group.

In addition, the Audit Committee shall:

a) Oversee and appraise the quality of the audits conducted both by the Group's internal and external auditors;
b) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
c) Determine the adequacy of the Group's operating and accounting controls.

2. Composition

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfills the following requirements:

a) The Audit Committee must be composed of no fewer than 3 members;
b) All the Audit Committee members must be Non-Executive Directors with a majority of them must be independent directors; and
c) At least one member of the Audit Committee:
   i. must be a member of the Malaysian Institute of Accountants; or
   ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
      • he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
      • he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
   iii. fulfills such other requirements as prescribed or approved by the Exchange.

   The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

   In the event of any vacancy in the Audit Committee resulting in the non-compliance of item 2(a) to (c) above, the vacancy must be filled within 3 months of that event.

   The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

3. Functions

The functions of the Audit Committee are as follows:

a) To review the following and report the same to the Board of Directors:
   i) with the external auditors, the audit plan;
   ii) with the external auditors, his evaluation of the system of internal controls;
   iii) with the external auditors, his audit report;
   iv) the assistance given by the Company's employees to the external auditors; and
   v) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
b) To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
c) To discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;

d) To review the quarterly results and year-end financial statements of the company and its subsidiary(s), focusing particularly on:
   - any changes in accounting policies and practices;
   - significant adjustments arising from the audit;
   - the going concern assumption;
   - compliance with accounting standards and other legal requirements.

e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);

f) To review the external auditors' management letter and management's response;

g) To do the following:
   - review the adequacy of the scope, competency, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
   - review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
   - review any appraisal or assessment of the performance of members of the internal audit function;
   - approve any appointments or termination of senior staff of the internal audit function;
   - inform itself of resignations of internal audit staff and provide the resigning staff an opportunity to submit his reasons for resigning.

h) To consider the major findings of internal investigations and management's response; and

i) To consider other areas as defined by the Board.

4. Rights of the Audit Committee

The Audit Committee shall, wherever necessary and reasonable for the Company to perform its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

a) Have authority to investigate any matter within its terms of reference;

b) Have the resources which are required to perform its duties;

c) Have full and unrestricted access to any information pertaining to the Company;

d) Have direct communication channels with the internal and external auditors and person(s) carrying out the internal audit function or activity;

e) Be able to obtain independent professional or other advice and to invite outsiders with relevant experience to attend the meeting, if necessary; and

f) Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

5. Meetings

The Audit Committee shall meet at least 4 times a year and any additional meetings as the Chairman shall decide in order to fulfill its duties. However, at least twice a year, the Audit Committee shall meet with the external auditors without executive Board members present.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or other appropriate senior officer shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.

A quorum shall consist of a majority of independent directors.

By invitation of the Audit Committee, the Company must ensure that the other directors and employees attend any particular committee meeting specific to the relevant meeting.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

INTRODUCTION

The Board of Directors recognizes the importance of a sound system of internal controls to safeguard the Group's assets and to enhance shareholders' value. In compliance with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board is pleased to provide the following statements, which outline the nature and scope of the risk management and internal control system in the Group during the financial year.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for the Group's system of internal control and risk management, including the establishment of an appropriate control environment and framework as well as reviewing its adequacy and effectiveness. Due to the inherent limitations in any system of internal controls, such a system is designed to monitor and mitigate the effects rather than to eliminate risks of failure to achieve business and corporate objectives, and can only provide a reasonable and not absolute degree of assurance that assets are safeguarded against material misstatement, fraud or losses.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies. The Board is of the view that the process in place is adequate and effective for the year under review and up to the date of approval of this statement for inclusion in the annual report.

RISK MANAGEMENT FRAMEWORK

The Board, through the Audit Committee reviews the adequacy and integrity of the systems of internal control by reviewing the internal audit reports presented in the Audit Committee Meetings on a quarterly basis.

As part of the Risk Management framework, a Risk Management Committee ("RMC") is established by the Board to assist the Board to identify and assess the risks and to ensure that adequate control system are implemented to mitigate significant risks faced by the Group. In its annual meeting, the RMC reviewed and updated the risks faced by the Group including management's action plans to mitigate the risks.

The Group is currently in the process of setting up a Risk Management framework for the subsidiaries in the People's Republic of China.

This statement on Risk Management and Internal Control does not deal with associated companies as the Group does not have management control over their operations.

INTERNAL AUDIT DEPARTMENT

Internal Audit Department is independent of operational activities and is responsible in assisting the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's risk management and internal control system.

The Internal Audit Department reviews the internal controls of the Group's operations and activities based on the annual audit plan approved by the Audit Committee. On a quarterly basis, audit reports, incorporating the findings, recommendations and management's response and action plans are tabled at the Audit Committee meetings.

OTHER RISKS AND CONTROL PROCESSES

Apart from risk management and the internal audit, the other key components embedded within the Group's internal control system are:-

- The Managing Director. also a member of the RMC, reports to the Board on significant changes in business and external environment that give rise to significant risks, if any
- Quarterly financial reports, including key financial information of major subsidiaries are submitted to the Board members by the respective Financial Controllers
- Internal policies and standard operating procedure are appropriately communicated and documented in manuals which are reviewed and revised when necessary to meet changing business, operational and statutory reporting needs
- Adequate insurance on major assets are in place to ensure assets of the Group are sufficiently covered and physical safeguards implemented includes physical checks on movements to/from the Group's premises
- New employees are required to read and acknowledge on a copy of the Code of Ethics which defines the ethical standards and conduct at work

The Board continues to take measures to strengthen the control environment through the above processes and during the current financial year and to the date of this report, the Board is not aware of any material losses caused by significant weaknesses or deficiencies in the Group's systems of internal control system.

ASSURANCE FROM MANAGEMENT

The Board has also received assurance from the Group Managing Director and Finance Director that the Group's risk management and internal control system are operating adequately and effectively in all material aspects based on the risk management and internal control system adopted by the Group.



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The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of those relating to investment holding and the manufacturing, assembling and sale of electronic and electrical products and plastic moulded components and parts. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	53,633	12,687
Non-controlling interests	(6,963)	--
	46,670	12,687

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company:

i) paid a second interim single tier dividend of 3 sen per ordinary share of RM1.00 each totalling RM5,436,071 in respect of the year ended 31 July 2013 on 30 October 2013;

ii) paid a first interim single tier dividend of 2.2 sen per ordinary share of RM1.00 each totalling RM3,986,446 in respect of the year ended 31 July 2014 on 28 January 2014;

iii) declared a second interim single tier dividend of 2.5 sen per ordinary share of RM1.00 each totalling RM4,628,194 in respect of the year ended 31 July 2014 on 25 June 2014. This dividend was paid on 15 August 2014; and

iv) declared a third interim single tier dividend of 3.5 sen per ordinary share of RM1.00 each totalling RM6,937,712 in respect of the year ended 31 July 2014 on 30 September 2014. This dividend was paid on 30 October 2014.

The Directors recommended a final single tier dividend of 3.5 sen per ordinary share totalling RM6,949,970 in respect of the year ended 31 July 2014 subject to the approval of the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this proposed final dividend, which will be accounted for in the statement of changes in equity as an appropriation of retained earnings in the year ending 31 July 2015.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Directors	Alternate
Datuk Beh Kim Ling	
Datin Gan Chu Cheng	Mr. Chong Chin Siong (appointed on 1 August 2014)
	Mr. Chang Tian Kwang (resigned on 1 August 2014)
Datuk Gan Sem Yam	
Dato' Gan Tiong Sia	
Tan Sri Mohd Nadzmi bin Mohd Salleh	
Mr. Pan Swee Keat	
Mr. Tang Sim Cheow	
Mr. Ng Yong Kang	

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

		Number of ordinary shares ('000)			
Name of Directors	**Interest**	**At 1 August 2013**	**Bought/ ESOS/ Warrant exercised**	**Sold**	**At 31 July 2014**
Company					
Ordinary shares of RM1.00 each					
Datuk Beh Kim Ling	Direct	31,606	--	--	31,606
	Deemed	25,996	1,766	(208)	27,554
Datin Gan Chu Cheng	Direct	24,380	1,758	--	26,138
	Deemed	33,222	9	(208)	33,023
Datuk Gan Sem Yam	Direct	16,279	--	(2,000)	14,279
	Deemed	525	2,038	--	2,563
Dato' Gan Tiong Sia	Direct	4,890	420	--	5,310
	Deemed	21	--	--	21
Mr. Ng Yong Kang	Direct	167	--	(160)	7
Mr. Pan Swee Keat	Direct	20	--	--	20
Mr. Tang Sim Cheow	Direct	--	60	--	60
Mr. Chang Tian Kwang	Direct	--	420	--	420

Name of Directors	Interest	Number of ordinary shares ('000) At 1 August 2013	Bought/ ESOS/ Warrant exercised	Sold	At 31 July 2014
Subsidiaries					
- V.S. Ashin Technology Sdn. Bhd. Ordinary shares of RM1.00 each					
Datuk Beh Kim Ling	Deemed	4,480	1,400	--	5,880
Datin Gan Chu Cheng	Direct	672	--	--	672
	Deemed	3,808	1,400	--	5,208
Datuk Gan Sem Yam	Direct	747	--	--	747
- V.S. Plus Sdn. Bhd. Ordinary shares of RM1.00 each					
Datuk Beh Kim Ling	Deemed	49,625	--	--	49,625
Datin Gan Chu Cheng	Deemed	49,625	--	--	49,625
- VS Marketing & Engineering Pte. Ltd. Ordinary shares					
Datuk Beh Kim Ling	Deemed	561	663	--	1,224
Datin Gan Chu Cheng	Deemed	561	663	--	1,224
Datuk Gan Sem Yam	Deemed	264	672	--	936
Dato' Gan Tiong Sia	Deemed	110	130	--	240
- Serumi International Private Limited Ordinary shares					
Datuk Beh Kim Ling	Deemed	-	1,160	-	1,160
Datin Gan Chu Cheng	Deemed	-	1,160	-	1,160
Datuk Gan Sem Yam	Deemed	-	1,160	-	1,160
- V.S. International Group Limited Ordinary shares of HKD0.05 each					
Datuk Beh Kim Ling	Direct	61,429	6,533	--	67,962
	Deemed	800,995	97,162	(28,000)	870,157
Datin Gan Chu Cheng	Direct	78,389	19,680	(28,000)	70,069
	Deemed	784,035	84,015	--	868,050
Datuk Gan Sem Yam	Direct	32,691	3,046	--	35,737
Dato' Gan Tiong Sia	Direct	34,112	2,103	--	36,215
Mr. Tang Sim Cheow	Direct	639	--	--	639
- V.S. Corporation (Hong Kong) Co., Limited Non-voting deferred share of HKD1.00 each					
Datuk Beh Kim Ling	Direct	3,750	--	--	3,750
	Deemed	3,750	--	--	3,750
Datin Gan Chu Cheng	Direct	3,750	--	--	3,750
	Deemed	3,750	--	--	3,750
Datuk Gan Sem Yam	Direct	3,750	--	--	3,750
Dato' Gan Tiong Sia	Direct	3,750	--	--	3,750

Name of Directors	Interest	Number of ordinary shares At 1 August 2013	Bought/ ESOS/ Warrant exercised	Sold	At 31 July 2014
Subsidiaries					
- V.S. Investment Holdings Limited Ordinary shares of HKD1.00 each					
Datuk Beh Kim Ling	Direct	5	--	--	5
	Deemed	5	--	--	5
Datin Gan Chu Cheng	Direct	5	--	--	5
	Deemed	5	--	--	5
Datuk Gan Sem Yam	Direct	5	--	--	5

		Number of warrants ('000)			
	Interest	At 1 August 2013	Granted	Exercised	At 31 July 2014
- V.S. International Group Limited					
Datuk Beh Kim Ling	Direct	6,533	--	(6,533)	--
	Deemed	96,595	--	(96,595)	--
Datin Gan Chu Cheng	Direct	19,113	--	(19,113)	--
	Deemed	84,015	--	(84,015)	--
Datuk Gan Sem Yam	Direct	3,046	--	(3,046)	--
Dato' Gan Tiong Sia	Direct	2,103	--	(2,103)	--

	Number of options ('000) over ordinary shares of HKD0.05 each			
	At 1 August 2013	Granted	Sold	At 31 July 2014
- V.S. International Group Limited				
Datuk Beh Kim Ling	--	9,600	--	9,600
Datin Gan Chu Cheng	--	9,600	--	9,600
Datuk Gan Sem Yam	--	9,600	--	9,600
Dato' Gan Tiong Sia	--	4,500	--	4,500
Mr. Tang Sim Cheow	--	1,200	--	1,200

Name of Directors	Date of offer	Options price (RM)	Number of options ('000) over ordinary shares of RM1.00 each: At 1 August 2013	Granted and accepted	Exercised	At 31 July 2014
Company						
Datuk Beh Kim Ling	19.11.2010	1.54	560	--	--	560
Datin Gan Chu Cheng	19.11.2010	1.54	560	--	(420)	140
Datuk Gan Sem Yam	19.11.2010	1.54	560	--	--	560
Dato' Gan Tiong Sia	19.11.2010	1.54	560	--	(420)	140
Tan Sri Mohd Nadzmi bin Mohd Salleh	19.11.2010	1.54	100	--	--	100
Mr. Pan Swee Keat	19.11.2010	1.54	80	--	--	80
Mr. Tang Sim Cheow	19.11.2010	1.54	80	--	(60)	20
Mr. Ng Yong Kang	19.11.2010	1.54	560	--	--	560
Mr. Chang Tian Kwang	19.11.2010	1.54	560	--	(420)	140

Name of Directors	Date of offer	Options price (RM)	Number of options ('000) over ordinary shares of RM1.00 each: At 1 August 2013	Granted and accepted	Exercised	At 31 July 2014
Company						
Datuk Beh Kim Ling	23.7.2014	1.68	--	220	--	220
Datin Gan Chu Cheng	23.7.2014	1.68	--	220	--	220
Datuk Gan Sem Yam	23.7.2014	1.68	--	220	--	220
Dato' Gan Tiong Sia	23.7.2014	1.68	--	220	--	220
Mr. Ng Yong Kang	23.7.2014	1.68	--	220	--	220
Tan Sri Mohd Nadzmi bin Mohd Salleh	23.7.2014	1.68	--	50	--	50
Mr. Pan Swee Keat	23.7.2014	1.68	--	50	--	50
Mr. Tang Sim Cheow	23.7.2014	1.68	--	50	--	50

Other than as disclosed above, by virtue of their substantial shareholdings in the Company, Datuk Beh Kim Ling and Datin Gan Chu Cheng are deemed to have interests in the ordinary shares of all the wholly-owned subsidiaries of the Company as disclosed in Note 7 to the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except as disclosed in Note 30 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate apart from the Employees' Share Option Scheme ("ESOS") of the Company.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up capital from RM182,326,706 to RM186,354,506 by the allotment of 4,027,800 new ordinary shares of RM1.00 each for cash arising from the exercise of employees' share options at an exercise price of RM1.54 per ordinary share.

At the Annual General Meeting held on 2 January 2014, the shareholders of the Company renewed their approval for the Company to repurchase its own shares. During the financial year, the Company repurchased from the open market a total of 10,000 of its issued ordinary shares. The average repurchase price was RM1.40. The repurchase transactions were financed by internally generated funds and the repurchased shares are being held as treasury shares and carried at cost.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees' Share Option Scheme.

At an Extraordinary General Meeting held on 19 November 2010, the Company's shareholders approved the establishment of an Employees' Share Option Scheme (ESOS) of not more than 15% of the issued and paid-up ordinary share capital of the Company to eligible Directors and employees of the Group.

The salient features of the ESOS are as follows:

a) The ESOS is administered by a committee appointed by the Board of Directors.

b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed fifteen per centum (15%) of the issued and paid-up ordinary share capital of the Company at any point of time during the duration of the ESOS and further, the following shall be complied with:

   i) Not more than fifty per centum (50%) of the ordinary shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management; and

   ii) Not more than ten per centum (10%) of the ordinary shares available under the ESOS shall be allocated to any eligible employee who, either singly or collectively through his or her associates, holds twenty per centum (20%) or more of the issued and paid-up ordinary share capital of the Company.

c) The eligible employee must be at least eighteen (18) years of age and have been confirmed and employed on a full time basis (other than a Director) on the date of offer.

d) The subscription price for each ordinary share shall be the weighted average market price of the shares of the Company as shown in the Daily Official List issued by Bursa Malaysia Securities Berhad ("Bursa Securities") for the five (5) market days immediately preceding the date of the offer with a discount of not more than ten per centum (10%) or the par value of the ordinary shares, whichever is higher.

e) The option is personal to the grantee and is non-assignable.

f) The options granted may be exercised at any time within the period of five (5) years commencing from 19 November 2010, subject to a further extension of five (5) years as the Board may determine.

g) The option are exercisable to a maximum percentage of 20% of the number of options granted in each calendar year.

h) The options shall be exercised in multiple of and not less than one hundred (100) options.

i) Option exercisable in a particular year but not exercised can be carried forward to the subsequent years subject to the time limit of the Scheme.

The movements in outstanding options offered to take up unissued ordinary shares of RM1.00 each and the exercise price is as follows:

			Number of options over ordinary shares of RM1.00 each ('000)			
Date of offer	**Exercise price**	**At 1 August 2013**	**Granted**	**Exercised**	**Forfeited**	**At 31 July 2014**
19 November 2010	RM1.54	18,903	--	(4,028)	(2,029)	12,846
23 July 2014	RM1.68	--	8,049	--	(56)	7,993

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of persons to whom options have been granted during the financial year and details of their holdings as required by Section 169(11) of the Companies Act, 1965 except for information on Directors and employees who were granted options of 70,000 and above.

The names of option holders and the number of options granted in aggregate of 70,000 options and above are as follows:

Name of option holders	**Number of options ('000)**
Datuk Beh Kim Ling	220
Datin Gan Chu Cheng	220
Datuk Gan Sem Yam	220
Dato' Gan Tiong Sia	220
Mr. Ng Yong Kang	220
Mr. Chong Chin Siong	100
En. Mohamad bin Yusof	100
Mr. Swee Ee Soon	70
Mr. Gan Pee Ke'ng	70
Mr. Lee Yoon Sang	70
Mr. Chong Min Wah	70
Mr. Ng Chee Siong	70
Mr. Chong Ng Nguan	70
Mr. Lim Ming Teck	70
Mr. Loke Yew Seng	70
Mr. Lim Ming Choy	70
Mr. Ng Chee Siang	70
Mr. Teo Choon Meng	70
Mr. Teo Sim Guan	70
Mr. Wong Kee Far	70
Mr. Ng Chee Guan	70

The date of expiry of the option is 18 November 2015.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 July 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Gan Sem Yam

Dato' Gan Tiong Sia

Johor Bahru

11 November 2014

STATEMENT BY **DIRECTORS**

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 54 to 123 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 31 on page 124 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Gan Sem Yam

Dato' Gan Tiong Sia

Johor Bahru

11 November 2014

STATUTORY **DECLARATION**

Pursuant to Section 169(16) of the Companies Act, 1965

I, **Datin Gan Chu Cheng**, the Director primarily responsible for the financial management of V. S. INDUSTRY BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 54 to 124 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Johor Bahru in the State of Johor on 11 November 2014.

Datin Gan Chu Cheng

Before me:

Norani bt. Hj Khalid (No.: J-140)
Commissioner for Oaths

INDEPENDENT **AUDITORS' REPORT**

to the members of V. S. Industry Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of V. S. Industry Berhad, which comprise the statements of financial position as at 31 July 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 123.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 July 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 31 on page 124 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Tan Teck Eng
Approval Number: 2986/05/16 (J)
Chartered Accountant

Johor Bahru

11 November 2014

STATEMENTS OF **FINANCIAL POSITION**

As at 31 July 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Assets					
Property, plant and equipment	3	600,811	615,166	102,679	108,722
Prepaid lease payments	4	85,321	89,012	--	--
Investment properties	5	3,600	3,600	--	--
Intangible assets	6	2,150	--	--	--
Investments in subsidiaries	7	--	--	199,889	188,107
Investments in associates	8	8,187	9,021	--	--
Deferred tax assets	9	8,966	1,190	--	--
Total non-current assets		709,035	717,989	302,568	296,829
Inventories	10	269,794	177,760	26,551	29,162
Trade and other receivables	11	447,550	410,526	70,204	171,973
Dividend receivable		--	--	14,000	--
Tax recoverable		1,846	880	1,314	606
Cash and cash equivalents	12	123,464	97,288	7,081	10,294
Total current assets		842,654	686,454	119,150	212,035
Total assets		1,551,689	1,404,443	421,718	508,864
Equity					
Share capital	13	186,355	182,327	186,355	182,327
Reserves	13	339,805	297,319	105,534	101,950
Total equity attributable to owners of the Company		526,160	479,646	291,889	284,277
Non-controlling interests	7	114,829	117,224	--	--
Total equity		640,989	596,870	291,889	284,277
Liabilities					
Long term payables	14	4,322	4,322	--	--
Loans and borrowings	15	140,026	150,590	12,753	17,064
Deferred tax liabilities	9	45,317	60,768	9,575	12,643
Total non-current liabilities		189,665	215,680	22,328	29,707
Trade and other payables	16	437,029	375,276	75,705	139,006
Dividends payable		4,628	--	4,628	--
Loans and borrowings	15	269,765	211,167	27,168	55,874
Taxation		9,613	5,450	--	--
Total current liabilities		721,035	591,893	107,501	194,880
Total liabilities		910,700	807,573	129,829	224,587
Total equity and liabilities		1,551,689	1,404,443	421,718	508,864

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue					
Goods sold		1,715,082	1,163,911	338,729	737,034
Cost of goods sold		(1,517,221)	(1,057,756)	(307,853)	(683,100)
Gross profit		197,861	106,155	30,876	53,934
Other income		3,366	6,605	24,409	3,707
Effect of acquisition of a subsidiary	22	--	28,454	--	--
Distribution expenses		(39,439)	(18,897)	(6,354)	(14,094)
Administrative expenses		(97,277)	(53,699)	(34,779)	(30,795)
Other expenses		(6,548)	(9,272)	(2,042)	(2,526)
Results from operating activities		57,963	59,346	12,110	10,226
Finance income		799	929	66	227
Finance costs	17	(16,080)	(5,668)	(2,510)	(1,820)
Net finance costs		(15,281)	(4,739)	(2,444)	(1,593)
Operating profit	18	42,682	54,607	9,666	8,633
Share of loss of equity accounted associate, net of tax		(689)	(5,160)	--	--
Profit before tax		41,993	49,447	9,666	8,633
Tax income/(expense)	19	4,677	(9,480)	3,021	(2,883)
Profit for the year		46,670	39,967	12,687	5,750
Other comprehensive income/(expense), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Surplus on revaluation of properties, net of deferred tax		--	35,747	--	9,869
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(6,845)	6,674	--	--
Other comprehensive (expense)/income for the year		(6,845)	42,421	--	9,869
Total comprehensive income for the year		39,825	82,388	12,687	15,619

The accompanying notes form an integral part of the financial statements.

CONT'D

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit attributable to:					
Owners of the Company		53,633	43,910	12,687	5,750
Non-controlling interests		(6,963)	(3,943)	--	--
Profit for the year		46,670	39,967	12,687	5,750
Total comprehensive income attributable to:					
Owners of the Company		49,699	84,437	12,687	15,619
Non-controlling interests		(9,874)	(2,049)	--	--
Total comprehensive income for the year		39,825	82,388	12,687	15,619
Basic earnings per ordinary share (sen)	20	29.54	24.23		
Diluted earnings per ordinary share (sen)	20	--	--		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

for the year ended 31 July 2014

	← Attributable to owners of the Company →										
	← Non-distributable →							Distributable			
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share -based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group											
At 1 August 2012	182,327	2,381	46,628	(833)	9,396	5,903	(1,499)	166,188	410,491	430	410,921
Foreign currency translation differences for foreign operation	--	--	--	4,938	--	--	--	--	4,938	1,736	6,674
Surplus on revaluation of properties net of deferred tax	--	--	35,589	--	--	--	--	--	35,589	158	35,747
Total other comprehensive income for the year	--	--	35,589	4,938	--	--	--	--	40,527	1,894	42,421
Profit for the year	--	--	--	--	--	--	--	43,910	43,910	(3,943)	39,967
Total comprehensive income/ (expense) for the year	--	--	35,589	4,938	--	--	--	43,910	84,437	(2,049)	82,388

The accompanying notes form an integral part of the financial statements.

CONT'D

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

for the year ended 31 July 2014

		← Attributable to owners of the Company →										
		← Non-distributable →						Distributable				
	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share -based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Contributions by and distributions to owners of the Company												
Shares buy back		--	--	--	--	--	--	(23)	--	(23)	--	(23)
Equity settled share based transaction												
- Share option granted	13	--	--	--	--	--	870	--	--	870	49	919
- Share option lapsed in an associate		--	--	--	--	--	(12)	--	12	--	--	--
Dividends to owners of the Company	21	--	--	--	--	--	--	--	(14,497)	(14,497)	--	(14,497)
		--	--	--	--	--	858	(23)	(14,485)	(13,650)	49	(13,601)
Dilution arising from new issues of shares in a subsidiary		--	--	--	--	--	--	--	(1,632)	(1,632)	4,570	2,938
Acquisition of a subsidiary	22	--	--	--	--	--	--	--	--	--	113,116	113,116
Increase in share capital in a subsidiary		--	--	--	--	--	--	--	--	--	1,108	1,108
Total transactions with owners of the Group		--	--	--	--	--	858	(23)	(16,117)	(15,282)	118,843	103,561
Deemed disposal of an associate		--	--	(20,499)	--	(9,396)	(881)	--	30,776	--	--	--
Transferred from retained earnings		--	--	--	--	142	--	--	(142)	--	--	--
Realisation of revaluation reserve		--	--	(1,702)	--	--	--	--	1,702	--	--	--
At 31 July 2013		182,327	2,381	60,016	4,105	142	5,880	(1,522)	226,317	479,646	117,224	596,870

The accompanying notes form an integral part of the financial statements.

CONT'D

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

for the year ended 31 July 2014

	← Attributable to owners of the Company →										
	← Non-distributable →							Distributable			
	Share capital RM'000	**Share premium RM'000**	**Revaluation reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Capital reserve RM'000**	**Employee share -based reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Group											
At 1 August 2013	182,327	2,381	60,016	4,105	142	5,880	(1,522)	226,317	479,646	117,224	596,870
Foreign currency translation differences for foreign operation/ **Total other comprehensive income for the year**	--	--	--	(3,934)	--	--	--	--	(3,934)	(2,911)	(6,845)
Profit for the year	--	--	--	--	--	--	--	53,633	53,633	(6,963)	46,670
Total comprehensive income/ (expense) for the year	--	--	--	(3,934)	--	--	--	53,633	49,699	(9,874)	39,825

The accompanying notes form an integral part of the financial statements.

CONT'D

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

for the year ended 31 July 2014

		← Attributable to owners of the Company →										
		← Non-distributable →						← Distributable				
	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share -based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Contributions by and distributions to owners of the Company												
Shares buy back		--	--	--	--	--	--	(14)	--	(14)	--	(14)
Equity settled share based transaction												
- Share option granted	13	--	--	--	--	--	4,202	--	--	4,202	1,232	5,434
- Share option exercised		--	1,631	--	--	--	(1,631)	--	--	--	--	--
- Shares issued		4,028	2,175	--	--	--	--	--	--	6,203	--	6,203
Dividends to owners of the Company	21	--	--	--	--	--	--	--	(14,050)	(14,050)	--	(14,050)
		4,028	3,806	--	--	--	2,571	(14)	(14,050)	(3,659)	1,232	(2,427)
Increase in share capital in subsidiaries		--	--	--	--	--	--	--	474	474	6,247	6,721
Total transactions with owners of the Group		4,028	3,806	--	--	--	2,571	(14)	(13,576)	(3,185)	7,479	4,294
Realisation of revaluation reserve		--	--	(1,343)	--	--	--	--	1,343	--	--	--
Disposal of property - Reversal of revaluation net of tax		--	--	(146)	--	--	--	--	146	--	--	--
At 31 July 2014		186,355	6,187	58,527	171	142	8,451	(1,536)	267,863	526,160	114,829	640,989

The accompanying notes form an integral part of the financial statements.

STATEMENT OF **CHANGES IN EQUITY**

for the year ended 31 July 2014

	Note	Attributable to owners of the Company						
		Non-distributable					Distributable	
		Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Employee Share-based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Company								
At 1 August 2012		182,327	2,381	16,065	5,259	(1,499)	77,777	282,310
Surplus on revaluation of properties net of deferred tax/Total other comprehensive income for the year		--	--	9,869	--	--	--	9,869
Profit for the year		--	--	--	--	--	5,750	5,750
Total comprehensive income for the year		--	--	9,869	--	--	5,750	15,619
Contributions by and distributions to owners of the Company								
Shares buy back		--	--	--	--	(23)	--	(23)
Equity settled share-based transaction - Share option granted	13	--	--	--	868	--	--	868
Dividends to owners of the Company	21	--	--	--	--	--	(14,497)	(14,497)
Total transactions with owners of the Company		--	--	--	868	(23)	(14,497)	(13,652)
Realisation of revaluation reserve		--	--	(375)	--	--	375	--
At 31 July 2013		182,327	2,381	25,559	6,127	(1,522)	69,405	284,277

The accompanying notes form an integral part of the financial statements.

CONT'D

STATEMENT OF **CHANGES IN EQUITY**

for the year ended 31 July 2014

		← Attributable to owners of the Company →						
		← Non-distributable →					Distributable	
	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Employee Share-based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Company								
At 1 August 2013		182,327	2,381	25,559	6,127	(1,522)	69,405	284,277
Profit for the year/ Total comprehensive income for the year		--	--	--	--	--	12,687	12,687
Contributions by and distributions to owners of the Company								
Shares buy back		--	--	--	--	(14)	--	(14)
Equity settled share-based transaction								
- Share option granted	13	--	--	--	2,786	--	--	2,786
- Share option exercised		--	1,631	--	(1,631)	--	--	--
- Shares issued		4,028	2,175	--	--	--	--	6,203
Dividends to owners of the Company	21	--	--	--	--	--	(14,050)	(14,050)
Total transactions with owners of the Company		4,028	3,806	--	1,155	(14)	(14,050)	(5,075)
Realisation of revaluation reserve		--	--	(508)	--	--	508	--
Disposal of property								
- Reversal of revaluation net of tax		--	--	(146)	--	--	146	--
At 31 July 2014		186,355	6,187	24,905	7,282	(1,536)	68,696	291,889

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF **CASH FLOWS**

for the year ended 31 July 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities					
Profit before tax		41,993	49,447	9,666	8,633
Adjustments for:-					
Amortisation of prepaid lease payments		2,098	23	--	--
Depreciation	3	59,487	32,658	9,262	10,113
Equity settled share-based transactions		5,434	870	1,376	464
Interest expense	17	14,459	5,219	2,474	1,769
Impairment loss on receivables		401	480	--	--
Impairment loss on investments in subsidiaries		--	--	1,703	1,415
Share of loss in associates		689	5,160	--	--
Changes in fair value of investment property		--	(765)	--	--
Effect of acquisition of a subsidiary	22	--	(30,413)	--	--
Loss on dilution of interest in an associate	22	--	5,878	--	--
Finance income		(799)	(929)	(66)	(227)
Gain on disposal of investment property		--	(1,860)	--	(1,860)
Property, plant and equipment:					
- Written off		49	19	3	19
- Loss/(Gain) on disposal		1,025	(413)	(236)	(404)
Unrealised loss/(gain) on foreign exchange		719	(41)	(86)	516
Operating profit before changes in working capital		125,555	65,333	24,096	20,438
Changes in inventories		(92,034)	(21,702)	2,611	13,790
Changes in trade and other receivables		(39,576)	31,050	87,902	66,983
Changes in trade and other payables		66,977	(47,803)	(64,937)	(69,461)
Cash generated from operations		60,922	26,878	49,672	31,750
Interest received		799	929	66	227
Tax paid		(15,353)	(8,141)	(755)	(5,646)
Net cash from operating activities		46,368	19,666	48,983	26,331

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF **CASH FLOWS**

for the year ended 31 July 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from investing activities					
Acquisition of:					
- property, plant and equipment	23	(55,704)	(31,394)	(3,748)	(7,564)
- prepaid lease payment		--	(8,245)	--	--
- subsidiaries	22	--	16,217	--	(34,181)
Additional investments in subsidiaries		--	--	(12,075)	(1,136)
Proceeds from disposal of:					
- property, plant and equipment		3,955	1,814	2,351	914
- investment properties		--	8,860	--	8,860
Loans to subsidiaries		--	--	--	(122)
Decrease/(Increase) in pledged deposit placed with licensed banks		732	(9,416)	--	--
Net cash used in investing activities		(51,017)	(22,164)	(13,472)	(33,229)
Cash flows from financing activities					
Proceeds from long term borrowings		21,978	39,714	--	20,000
Repayment of long term borrowings		(33,007)	(9,621)	(5,433)	(3,784)
Payments of finance lease liabilities		(479)	(1,157)	(43)	(43)
Net drawdown from short term borrowings		62,434	(634)	(27,541)	8,272
Interest paid		(15,081)	(5,219)	(2,474)	(1,769)
Repurchase of treasury shares		(14)	(23)	(14)	(23)
Funds from non-controlling interests		6,721	4,046	--	--
Proceeds from issuance of shares		6,203	--	6,203	--
Dividend paid to owners of the Company		(9,422)	(14,497)	(9,422)	(14,497)
Net cash from/(used in) financing activities		39,333	12,609	(38,724)	8,156
Exchange differences on translation of the financial statements of foreign operations		(3,934)	9,904	--	--
Net increase/(decrease) in cash and cash equivalents		30,750	20,015	(3,213)	1,258
Cash and cash equivalents at 1 August		77,843	56,978	10,294	9,036
Foreign exchange differences on opening balance		(950)	850	--	--
Cash and cash equivalents at 31 July		107,643	77,843	7,081	10,294

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

Cash and bank balances	98,217	75,872	6,907	10,125
Deposits with licensed banks	16,563	12,000	174	169
Bank overdrafts	(7,137)	(10,029)	--	--
	107,643	77,843	7,081	10,294

The accompanying notes form an integral part of the financial statements.

V. S. Industry Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
PTD 86556, Jalan Murni 12
Taman Perindustrian Murni
81400 Senai
Johor
Malaysia

Registered office
Suite 7E, Level 7
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 July 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 31 July 2014 do not include other entities.

The principal activities of the Company consist of those relating to the investment holding and manufacturing, assembling and sale of electronic and electrical products and plastic moulded components and parts. The principal activities of its subsidiaries are disclosed in Note 7.

These financial statements were authorised for issue by the Board of Directors on 11 November 2014.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 116 and MFRS 138, *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 116 and MFRS 141, *Agriculture: Bearer Plants*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective from a date yet to be confirmed

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations in the respective financial years when the above standards, amendments and interpretations become effective.

The initial application of these standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Group and the Company upon their first adoption except as mentioned below:

MFRS 15, *Revenue from Contracts with Customers*

The adoption of MFRS 15 may result in a change in the accounting for revenue by the Group and the Company. The Group and the Company are currently assessing the impact of adopting MFRS 15.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

1. BASIS OF PREPARATION (CONT'D)

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(a)(i) - assessment for impairment of investment in subsidiaries
- Note 2(m) - recognition of deferred tax assets
- Note 2(p)(iii) - valuation of share based payment transactions

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(v) Associates (cont'd)

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of the investments includes transaction costs.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(i) Initial recognition and measurement (cont'd)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

(d) Available-for-sale financial assets (cont'd)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(iv) Regular way purchase or sale of financial assets (cont'd)

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability 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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date and in accordance to Note 2(u).

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

Property, plant and equipment under the revaluation model

The Group revalues its property comprising land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The leasehold land and buildings are depreciated over their useful lives from the date of acquisition or subsequently over the remaining useful lives from the date of revaluation.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	34 - 81 years
Buildings	24 - 45 years
Plant and machinery	10 years
Furniture, fittings and renovation	3 - 5 years
Motor vehicles	5 years
Building improvements	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

(ii) Intangible assets

Intangible assets that are acquired by the Group, which have indefinite useful lives are measured at cost less any accumulated impairment losses.

(iii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in other comprehensive income and accumulated in equity as revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Non-current assets held for sale or distribution to owners

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Non-current assets held for sale or distribution to owners (cont'd)

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale or distribution.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets and investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (cont'd)

(ii) Other assets (cont'd)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, investment tax allowance and enhanced export incentive being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Revenue and other income (cont'd)

(ii) Interest income

Interest income is recognised in profit or loss as it accrues using the effective interest rate except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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 capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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.

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contribution to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee benefits (cont'd)

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding or the discount is recognised as finance cost.

(r) Contingencies

Contingent liabilities

Where is not probable that an outflow of economic benefits will be required, of the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless that probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(u) Fair value measurement

From 1 August 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Capital work -in -progress RM'000	Total RM'000
Group						
At cost/valuation						
At 1 August 2012	168,950	260,548	20,448	8,448	6,323	464,717
Additions	302	15,798	2,651	1,510	13,669	33,930
Disposals	--	(8,745)	(10)	(2,167)	--	(10,922)
Written off	--	(147)	(207)	--	--	(354)
Acquisitions through business combination	198,461	371,282	35,690	11,308	--	616,741
Revaluation	23,009	--	--	--	--	23,009
Exchange differences	4,629	12,717	931	330	1,084	19,691
At 31 July 2013/1 August 2013	395,351	651,453	59,503	19,429	21,076	1,146,812
Additions	1,233	37,634	5,318	1,361	12,036	57,582
Disposals	(500)	(14,125)	(1,316)	(1,706)	--	(17,647)
Written off	--	(967)	(269)	--	--	(1,236)
Transfers	30,137	1,145	590	375	(32,247)	--
Exchange differences	(4,677)	(9,701)	(927)	(271)	(602)	(16,178)
At 31 July 2014	421,544	665,439	62,899	19,188	263	1,169,333
Representing items at:						
Cost	229,722	665,439	62,899	19,188	263	977,511
Directors' valuation - 2013	191,822	--	--	--	--	191,822
	421,544	665,439	62,899	19,188	263	1,169,333
Accumulated depreciation						
At 1 August 2012	15,810	155,405	14,684	5,380	--	191,279
Depreciation charge	4,213	25,127	2,143	1,175	--	32,658
Disposals	--	(7,655)	(9)	(1,857)	--	(9,521)
Written off	--	(130)	(205)	--	--	(335)
Acquisitions through business combination	41,629	252,497	24,252	9,295	--	327,673
Revaluation	(19,563)	--	--	--	--	(19,563)
Exchange differences	948	7,649	631	227	--	9,455
At 31 July 2013/1 August 2013	43,037	432,893	41,496	14,220	--	531,646
Depreciation charge	9,745	43,725	4,087	1,930	--	59,487
Disposals	(6)	(10,421)	(831)	(1,409)	--	(12,667)
Written off	--	(933)	(254)	--	--	(1,187)
Exchange differences	(1,101)	(6,770)	(656)	(230)	--	(8,757)
At 31 July 2014	51,675	458,494	43,842	14,511	--	568,522
Carrying amounts						
At 31 July 2014	369,869	206,945	19,057	4,677	263	600,811
At 31 July 2013	352,314	218,560	18,007	5,209	21,076	615,166

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Total RM'000
Company					
At cost/valuation					
At 1 August 2012	73,529	68,328	9,105	5,878	156,840
Additions	22	4,770	901	1,236	6,929
Disposals	--	(2,100)	--	(1,196)	(3,296)
Written off	--	(147)	(103)	--	(250)
Transfer to subsidiaries	--	(421)	(10)	--	(431)
Revaluation	2,930	--	--	--	2,930
At 31 July 2013/1 August 2013	76,481	70,430	9,893	5,918	162,722
Additions	--	4,976	525	159	5,660
Disposals	(500)	(5,047)	--	(431)	(5,978)
Written off	--	--	(165)	--	(165)
Transfer to subsidiaries	--	(1,126)	(113)	--	(1,239)
At 31 July 2014	75,981	69,233	10,140	5,646	161,000
Representing items at:					
Cost	--	69,233	10,140	5,646	85,019
Directors' valuation - 2013	75,981	--	--	--	75,981
	75,981	69,233	10,140	5,646	161,000
Accumulated depreciation					
At 1 August 2012	6,656	37,753	6,957	3,676	55,042
Depreciation charge	1,443	7,141	712	817	10,113
Disposals	--	(1,590)	--	(1,196)	(2,786)
Written off	--	(130)	(101)	--	(231)
Transfer to subsidiaries	--	(29)	(10)	--	(39)
Revaluation	(8,099)	--	--	--	(8,099)
At 31 July 2013/1 August 2013	--	43,145	7,558	3,297	54,000
Depreciation charge	1,453	6,190	787	832	9,262
Disposals	(6)	(3,501)	--	(356)	(3,863)
Written off	--	--	(162)	--	(162)
Transfer to subsidiaries	--	(824)	(92)	--	(916)
At 31 July 2014	1,447	45,010	8,091	3,773	58,321
Carrying amounts					
At 31 July 2014	74,534	24,223	2,049	1,873	102,679
At 31 July 2013	76,481	27,285	2,335	2,621	108,722

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Carrying amounts of land and buildings				
At valuation				
Freehold land	37,231	37,231	18,430	18,430
Leasehold land:				
- Long term	1,404	1,420	1,404	1,420
- Short term	9,128	9,370	--	--
Buildings	139,698	144,347	54,700	56,631
At cost				
Buildings	182,408	159,946	--	--
	369,869	352,314	74,534	76,481

Revaluation

Land and buildings other than those acquired through business combination in 2013 are stated at Directors' valuation based on independent professional valuations carried out as at 31 July 2013.

The market values of the land and buildings were determined based on cost method of valuation. The value of the land was determined by comparison to similar land transacted and the values of the buildings were determined based on depreciated replacement cost.

Had the land and buildings been carried at cost, their carrying amounts would have been as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Freehold land	21,730	21,730	11,879	11,879
Leasehold land:				
- Long term	1,045	1,065	1,045	1,065
- Short term	6,023	6,172	--	--
Buildings	83,937	86,449	31,591	32,378
	112,735	115,416	44,515	45,322

Leased plant and machinery

At 31 July 2014, the net carrying amount of leased plant and equipment of the Group and of the Company was RM132,610 (2013: RM2,742,000) and RM132,610 (2013: RM232,067) respectively.

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Security

The leased plant and equipment secured the lease obligations (see Note 15).

Certain property, plant and equipment of subsidiaries with carrying amount of RM174,018,000 (2013: RM181,044,000) have been pledged as security for banking facilities granted to the said subsidiaries (see Note 15).

Others

Motor vehicles of the Group/Company with carrying amount of RM1,076,553 (2013: RM1,509,318) are held in trust by Directors. Included in Group's additions of property, plant and equipment is an interest being capitalised of RM621,958 (2013: NIL) at a rate of 3.59% per annum (2013: NIL).

4. PREPAID LEASE PAYMENTS

	Unexpired period less than 50 years RM'000
Group	
At cost	
At 1 August 2012	547
Additions	8,245
Acquisition through business combination (Note 22)	78,088
Exchange differences	2,156
At 31 July 2013/1 August 2013	89,036
Exchange differences	(1,652)
At 31 July 2014	87,384
Accumulated amortisation	
At 1 August 2012	--
Amortisation charge	23
Exchange differences	1
At 31 July 2013/1 August 2013	24
Amortisation charge	2,098
Exchange differences	(59)
At 31 July 2014	2,063
Carrying amounts	
At 31 July 2014	85,321
At 31 July 2013	89,012

Prepaid lease payments of certain subsidiaries with carrying amount of RM76,299,000 (2013: RM79,826,000) have been pledged as security for banking facilities granted to the said subsidiaries (see Note 15).

5. INVESTMENT PROPERTIES

	Group	
	2014 RM'000	**2013 RM'000**
At 1 August 2013/2012	3,600	2,835
Change in fair value	--	765
At 31 July	3,600	3,600

Included in the above are:

	Group	
	2014 RM'000	**2013 RM'000**
Long term leasehold land	800	800
Buildings	2,800	2,800
	3,600	3,600

The fair value of the leasehold land and factory buildings are determined by Directors by reference to the valuation conducted in July 2014 by independent professional valuers. Subsequent renewals are negotiated with the lessee and no contingent rents are charged.

The following are recognised in profit or loss in respect of investment property:

	Group	
	2014 RM'000	**2013 RM'000**
Rental income	--	356
Direct operating expenses		
- income generating	--	24
- non-income generating	15	12

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	2014 Level 3 RM'000
Land	800
Buildings	2,800
	3,600

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

5. INVESTMENT PROPERTIES (CONT'D)

5.1 Fair value information (cont'd)

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs
Comparison method:	
Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size.	Historical transaction data in the past three years are used due to absence of recent transactions (Price per square foot of comparable properties).

Highest and best use

The investment property is currently a parcel of leasehold industrial land with a Single-Storey Detached Factory incorporating a Mezzanine Floor. The highest and best use of the property is for industrial purpose as the investment property is located in the industrial area that comprises detached light/medium industrial properties.

6. INTANGIBLE ASSETS

	Group	
	2014 RM'000	2013 RM'000
Patents and trademarks		
At cost		
Additions during the year/At 31 July 2014	2,150	--

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RM'000	**2013 RM'000**
At cost		
Quoted shares outside Malaysia	63,385	59,446
Unquoted shares	143,166	133,620
Less: Impairment loss	(6,662)	(4,959)
	199,889	188,107
Market value		
Quoted shares outside Malaysia	108,490	96,387

Details of the subsidiaries are as follows:

Name of entity	**Principal activities**	**Country of incorporation**	**Effective ownership interest and voting interest**	
			2014 %	**2013 %**
V.S. Plus Sdn. Bhd.	Manufacturing, assembly and sale of plastic moulded components and parts, and electrical products	Malaysia	99.25	99.25
V.S. Ashin Technology Sdn. Bhd.	Property letting	Malaysia	74.40	54.40
V.S. Electronics Sdn. Bhd.	Manufacturing, assembling and sale of electronic and electrical products, components and parts	Malaysia	100	100
V.S. Technology Sdn. Bhd.	Design and fabrication of tools and moulds	Malaysia	100	100
V.S. Logistics Sdn. Bhd.	Dormant	Malaysia	100	100
V.S. Holdings (M) Ltd#	Investment holding	Mauritius	100	100
PT. V.S. Technology Indonesia@	Assembling and sale of electronic products and injection moulding of plastic components	Indonesia	100	100
VS Marketing & Engineering Pte. Ltd.@	Trading of electronic components	Singapore	51	51
V.S. International Group Limited@ - Listed on Hong Kong Stock Exchange	Investment holding	Cayman Islands	54.13	53.84

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal activities	Country of incorporation	Effective ownership interest and voting interest 2014 %	2013 %
Subsidiaries of V.S. International Group Limited @				
V.S. International Industry Limited	Investment holding	British Virgin Islands	54.13	53.84
V.S. Investment Holdings Limited	Dormant	British Virgin Islands	54.13	53.84
V.S. Corporation (Hong Kong) Co., Limited	Trading of electronic products, parts and components and investment holding	Hong Kong	54.13	53.84
V.S. Technology Industry Park (Zhuhai) Co., Ltd.	Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components	People's Republic of China	54.13	53.84
Haivs Industry (Qingdao) Co., Ltd.	Dormant	People's Republic of China	54.13	53.84
Qingdao GS Electronics Plastics Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	54.13	53.84
Qingdao GP Electronic Plastics Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	54.13	53.84
Qingdao GP Precision Mold Co., Ltd.	Dormant	People's Republic of China	54.13	53.84
VSA Holding Hong Kong Co., Limited	Investment holding	Hong Kong	54.13	53.84
VSA Electronics Technology (Zhuhai) Co., Ltd.	Assembling and selling of electronic products, parts and components	People's Republic of China	54.13	53.84
V.S. Industry (Zhuhai) Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	54.13	53.84
V.S. Holding Vietnam Limited	Investment holding	British Virgin Islands	54.13	53.84

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal activities	Country of incorporation	Effective ownership interest and voting interest	
			2014 %	2013 %
V.S. Industry Holding Limited	Investment holding	Hong Kong	54.13	53.84
V.S. Electronics (Zhuhai) Co., Ltd.	Dormant	People's Republic of China	54.13	53.84
V.S. Industrial Product Design (Zhuhai) Co., Ltd.	Products design and trading of electronic products, parts and components	People's Republic of China	54.13	53.84
Subsidiary of VS Marketing & Engineering Pte. Ltd.@				
Serumi International Private Limited	Design and sale of healthcare products	Singapore	29.58	--

\# Audited by a member firm of KPMG International
@ Audited by other firms of accountants

7.1 Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	2014		
	V. S. International Group Limited	Other individually immaterial subsidiaries	Total
NCI percentage of ownership interest and voting interest	45.87%		
	RM'000	**RM'000**	**RM'000**
Carrying amount of NCI	111,519	3,310	114,829
Comprehensive expense allocated to NCI	(8,884)	(990)	(9,874)

	2013		
NCI percentage of ownership interest and voting interest	46.16%		
	RM'000	**RM'000**	**RM'000**
Carrying amount of NCI	116,802	422	117,224
Comprehensive expense allocated to NCI	(938)	(1,111)	(2,049)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

7.1 Non-controlling interest in subsidiaries (cont'd)

	2014 RM'000	2013 RM'000
V. S. International Group Limited		
Summarised financial information before intra-group elimination		
As at 31 July		
Non-current assets	349,638	384,833
Current assets	260,961	226,584
Non-current liabilities	(107,949)	(123,676)
Current liabilities	(259,460)	(234,704)
Net assets	243,190	253,037
Year ended 31 July		
Revenue	573,626	44,712
Loss for the year	(12,990)	(5,881)
Total comprehensive expense	(14,996)	(5,722)
Cash flows from/(used in) operating activities	9,260	(518)
Cash flows used in investing activities	(11,066)	(283)
Cash flows from/(used in) financing activities	6,224	(4,817)
Net increase/(decrease) in cash and cash equivalents	4,418	(5,618)
Dividends paid to NCI	--	--

8. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At cost				
Unquoted shares outside Malaysia	24,966	24,966	16,623	16,623
Share of post-acquisition reserves	(5,128)	(4,294)	--	--
	19,838	20,672	16,623	16,623
Less: Impairment loss	(11,651)	(11,651)	(16,623)	(16,623)
	8,187	9,021	--	--

8. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of associates are as follows:

Name of entity	Principal place of business and country of incorporation	Nature of relationship	Effective ownership interest and voting interest	
			2014 %	2013 %
PT. VS Mining Resources	Indonesia	General survey and mining; exploration and exploitation; and processing and distribution of coal	45.00	45.00
VS Industry Vietnam Joint Stock Company	Vietnam	Manufacturing and selling of plastic moulded products and parts	23.93	23.93

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates:

	2014 RM'000	2013 RM'000
VS Industry Vietnam Joint Stock Company		
Summarised financial information		
As at 31 July		
Non-current assets	89,048	98,249
Current assets	74,795	83,622
Non-current liabilities	(6,734)	(11,715)
Current liabilities	(122,554)	(132,110)
Net assets	34,555	38,046
Year ended 31 July		
Loss from continuing operations/ Total comprehensive income	(2,827)	(6,152)
Included in the total comprehensive income is:		
Revenue	193,139	212,157
Reconciliation of net assets to carrying amount		
As at 31 July		
Group's share of net assets	8,332	9,021
Exchange differences	(145)	--
Carrying amount in statement of financial position	8,187	9,021
Group' shares of results		
Year ended 31 July		
Group's share of loss and total comprehensive expense	(689)	(5,160)
Other information		
Dividends received	--	--

9. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

The amounts determined after appropriate offsetting are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets	8,966	1,190	--	--
Deferred tax liabilities	(45,317)	(60,768)	(9,575)	(12,643)
	(36,351)	(59,578)	(9,575)	(12,643)

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Property, plant and equipment				
- capital allowances	(18,769)	(20,005)	(6,197)	(7,221)
- revaluation	(14,097)	(16,292)	(5,651)	(6,102)
- business combination	(26,415)	(26,415)	--	--
Deductible temporary differences	3,108	2,219	451	680
Unabsorbed capital allowances	1,531	915	1,531	--
Unutilised tax losses	291	--	291	--
Unutilised enhanced export incentive	18,000	--	--	--
	(36,351)	(59,578)	(9,575)	(12,643)

Movement in temporary differences during the year:

Group	At 1.8.2013 RM'000	Recognised in profit or loss (Note 19) RM'000	Exchange differences RM'000	At 31.7.2014 RM'000
Property, plant and equipment				
- capital allowances	(20,005)	1,214	22	(18,769)
- revaluation	(16,292)	1,718	477	(14,097)
- fair value adjustments	(26,415)	--	--	(26,415)
Deductible temporary differences	2,219	902	(13)	3,108
Unabsorbed capital allowances	915	616	--	1,531
Unutilised tax losses	--	291	--	291
Unutilised enhanced export incentive	--	18,000	--	18,000
	(59,578)	22,741	486	(36,351)

9. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Group	At 1.8.2012 RM'000	Recognised in profit or loss (Note 19) RM'000	Recognised in other compre -hensive income RM'000	Exchange differences RM'000	Acquired in business combination (Note 22) RM'000	At 31.7.2013 RM'000
Property, plant and equipment						
- capital allowance	(20,932)	1,020	--	(93)	--	(20,005)
- revaluation	(8,214)	422	(6,825)	(1,675)	--	(16,292)
- fair value adjustments	--	--	--	--	(26,415)	(26,415)
Deductible temporary differences	1,280	646	--	435	(142)	2,219
Unabsorbed capital allowances	820	95	--	--	--	915
Unutilised reinvestment allowances	3,000	(3,000)	--	--	--	--
	(24,046)	(817)	(6,825)	(1,333)	(26,557)	(59,578)

Company	At 1.8.2013 RM'000	Recognised in profit or loss (Note 19) RM'000	Recognised in other comprehensive income RM'000	At 31.7.2014 RM'000
Property, plant and equipment				
- capital allowance	(7,221)	1,024	--	(6,197)
- revaluation	(6,102)	451	--	(5,651)
Deductible temporary differences	680	(229)	--	451
Unabsorbed capital allowances	--	1,531	--	1,531
Unutilised tax losses	--	291	--	291
	(12,643)	3,068	--	(9,575)

Company	At 1.8.2012 RM'000	Recognised in profit or loss (Note 19) RM'000	Recognised in other comprehensive income RM'000	At 31.7.2013 RM'000
Property, plant and equipment				
- capital allowance	(7,629)	408	--	(7,221)
- revaluation	(5,067)	125	(1,160)	(6,102)
Deductible temporary differences	362	318	--	680
	(12,334)	851	(1,160)	(12,643)

9. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2014 RM'000	**2013 RM'000**
Unutilised tax losses	102,413	117,166
Unutilised reinvestment and investment tax allowances and enhanced export incentives	41,520	20,474
Deductible temporary differences	668	668
Taxable temporary differences	(782)	(760)
	143,819	137,548

The unutilised tax losses, unutilised reinvestment and investment tax allowances and enhanced export incentives and deductible temporary differences do not expire under current tax legislation other than unutilised tax losses of RM87.9 million which will expire between 2015 to 2019 in the People's Republic of China. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits there from.

10. INVENTORIES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Raw materials	154,308	86,038	18,731	17,172
Work-in-progress	38,547	39,295	3,553	7,125
Finished goods	76,718	52,087	4,119	4,582
Packing materials	221	340	148	283
	269,794	177,760	26,551	29,162
Recognised in profit or loss:				
- Inventories recognised as cost of sales	1,517,221	1,057,756	307,853	683,100

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Trade receivables	419,398	371,926	28,580	150,760
Other receivables, deposits and prepayments	25,539	36,164	2,933	2,377
Derivatives at fair value through profit or loss:				
- forward foreign currency contracts	--	2,436	--	--
Due from subsidiaries				
- non-trade	--	--	12,850	7,275
- loan	--	--	3,296	3,304
- trade	--	--	22,545	8,257
Due from associates				
- trade	2,613	--	--	--
	447,550	410,526	70,204	171,973

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits with licensed banks	25,247	21,416	174	169
Cash and bank balances	98,217	75,872	6,907	10,125
	123,464	97,288	7,081	10,294

Included in the deposits placed with licensed banks is RM8,684,000 (2013: RM9,416,000) pledged for bank facilities granted to certain subsidiaries.

13. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2014 RM'000	2013 RM'000	2014 '000	2013 '000
Ordinary shares of RM1.00 each:				
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid:				
At 1 August	182,327	182,327	182,327	182,327
Shares issued under ESOS	4,028	--	4,028	--
At 31 July	186,355	182,327	186,355	182,327

Reserves

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-distributable				
Share premium	6,187	2,381	6,187	2,381
Revaluation reserve	58,527	60,016	24,905	25,559
Exchange fluctuation reserve	171	4,105	--	--
Capital reserve	142	142	--	--
Employee share-based reserve	8,451	5,880	7,282	6,127
Treasury shares	(1,536)	(1,522)	(1,536)	(1,522)
	71,942	71,002	36,838	32,545
Distributable				
Retained earnings	267,863	226,317	68,696	69,405
	339,805	297,319	105,534	101,950

Treasury shares

At the Annual General Meeting held on 2 January 2014, the shareholders of the Company renewed their approval for the Company to repurchase its own shares.

13. CAPITAL AND RESERVES (CONT'D)

Treasury shares (cont'd)

During the financial year, the Company repurchased from the open market a total of 10,000 (2013: 15,000) of its issued ordinary shares. The average repurchase price was RM1.40 (2013: RM1.49) per ordinary share. The total consideration paid was RM13,994 including transaction costs of RM104.

The repurchase transactions were financed by internally generated funds and the repurchased shares are being held as treasury shares and carried at cost.

At 31 July 2014, a total of 1,129,336 (2013: 1,119,336) repurchased shares are being held as treasury shares. The number of outstanding ordinary shares of RM1.00 each in issue after the setoff is 185,225,170 (2013: 181,207,370).

Treasury shares have no rights to voting, dividends and participation in any other distribution. Treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholding, take-overs, notices, the requisition of meeting, the quorum for a meeting and the result of a vote on a resolution at a meeting.

Revaluation reserve

Revaluation reserve represents surplus on revaluation of land and buildings of the Group and of the Company, net of deferred tax.

Exchange fluctuation reserve

Exchange fluctuation reserve represents all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

Capital reserve

Capital reserve represents appropriation of net profit of certain foreign subsidiaries in accordance with their local regulation.

Employee share-based reserve

Employee share-based reserve represent cumulative value of employee services received for the issue of share options.

When the option is exercised, the amount from the Employee share-based reserve is transferred to share premium. When the share options expire, the amount from the Employee share-based reserve is transferred to retained earnings.

Equity settled share-based transaction

On 19 November 2010, the Group established a share option programme that entitles key Group management personnel and employees to purchase shares in the Company. On 23 July 2014, the Group further granted share options on similar terms (except for the exercise price) to entitled key management personnel and employees.

13. CAPITAL AND RESERVES (CONT'D)

Equity settled share-based transaction (cont'd)

The terms and conditions relating to the grants of the share option programme are as follows; all options are to be settled by physical delivery of shares:

Grant date/ employees entitled	Number of options '000	Vesting conditions	Contractual life of options
Option granted to all employees on			
- 19 November 2010	26,178	20% of the options issued for each calendar year	5 years
- 23 July 2014	8,049	80% of the options issued for fourth calendar year 20% of the options issued for fifth calendar year	1.3 years

The number and exercise price of share options are as follows:

		Number of options over ordinary shares of RM1.00 each ('000)				
Date of offer	Exercise price RM	At 1 August 2013	Granted	Exercised	Forfeited	At 31 July 2014
19 November 2010	1.54	18,903	--	(4,028)	(2,029)	12,846
23 July 2014	1.68	--	8,049	--	(56)	7,993

Fair value of share options and assumptions

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

	2014	2013
Fair value at grant date	RM0.371	--
Share price at grant date	RM1.96	--
Expected volatility (weighted average volatility)	30%	--
Option life (expected weighted average life)	1.3 years	--
Expected dividends	5%	--
Risk-free interest rate (based on Malaysian Government Securities)	3.214%	--

13. CAPITAL AND RESERVES (CONT'D)

Value of employee services received for issue of share options

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total expense recognised as equity settled share-based transaction	5,434	870	1,376	464

14. LONG TERM PAYABLES

	Group	
	2014 RM'000	2013 RM'000
Due to Directors	4,322	4,322

The amounts due to Directors are unsecured, interest free and not repayable within the next twelve months.

15. LOANS AND BORROWINGS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current				
Secured				
Term loans	80,132	94,584	--	--
Finance lease liabilities	112	251	112	157
	80,244	94,835	112	157
Unsecured				
Term loans	59,782	55,755	12,641	16,907
	140,026	150,590	12,753	17,064
Current				
Secured				
Term loans	12,738	12,974	--	--
Bank overdrafts	5,684	10,029	--	--
Short term loan	36,063	26,438	--	--
Trust receipts	31,751	24,038	--	--
Finance lease liabilities	55	395	45	43
	86,291	73,874	45	43
Unsecured				
Revolving credit	8,000	5,000	8,000	5,000
Term loans	19,875	20,243	5,714	6,881
Bankers' acceptances	114,838	81,794	13,409	43,950
Bank overdrafts	1,453	--	--	--
Trust receipts	19,834	13,317	--	--
Short term loan	19,474	16,939	--	--
	183,474	137,293	27,123	55,831
	269,765	211,167	27,168	55,874
	409,791	361,757	39,921	72,938

15. LOANS AND BORROWINGS (CONT'D)

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 26.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Group			Company		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
2014						
Less than one year	60	5	55	50	5	45
Between one and five years	116	4	112	116	4	112
	176	9	167	166	9	157
2013						
Less than one year	415	20	395	50	7	43
Between one and five years	262	11	251	166	9	157
	677	31	646	216	16	200

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables	327,118	281,567	34,920	98,571
Other payables and accrued expenses	109,376	93,709	18,767	13,831
Derivatives at fair value through profit or loss				
- forward foreign currency contracts	136	--	--	--
Due to subsidiaries				
- trade	--	--	22,018	26,599
- non-trade	--	--	--	5
Due to associates				
- trade	399	--	--	--
	437,029	375,276	75,705	139,006

16. TRADE AND OTHER PAYABLES (CONT'D)

Included in other payables and accrued expenses are:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Property, plant and equipment creditors	7,796	6,540	3,905	1,993
Sundry creditors	23,213	19,732	3,331	4,047
Accrued expenses	48,315	39,021	11,531	7,791
Progress billings to customers	30,052	28,416	--	--
	109,376	93,709	18,767	13,831

17. FINANCE COSTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	15,081	5,219	2,474	1,769
Other financing cost	1,621	449	36	51
	16,702	5,668	2,510	1,820
Recognised in profit or loss	16,080	5,668	2,510	1,820
Capitalised on property, plant and equipment	622	--	--	--
	16,702	5,668	2,510	1,820

18. OPERATING PROFIT

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Operating profit is arrived at after charging/(crediting)				
Audit fees				
- KPMG Malaysia	221	221	143	143
- Other auditors	663	586	--	--
- Over provided in prior year	--	(1)	--	--
Non-audit fees				
- KPMG Malaysia	9	9	9	9
- Other auditors	173	--	--	--
Amortisation of prepaid lease payments	2,098	23	--	--
Allowance for slow moving inventories	2,403	375	246	--
Depreciation	59,487	32,658	9,262	10,113
Derivative (gain)/loss on currency forward contracts	(20)	1,181	13	576
Impairment loss on receivables	401	480	--	--
Investments in subsidiaries:				
- impairment loss	--	--	1,703	1,389
- written off	--	--	--	26

18. OPERATING PROFIT (CONT'D)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Operating profit is arrived at after charging/ (crediting) (cont'd)				
Loss on dilution of interest in an associate	--	5,878	--	--
Operating lease rental	4,599	4,417	--	--
Personnel expenses (including key management personnel):				
- Contributions to state plans	7,608	6,957	3,963	3,704
- Wages, salaries and others	256,969	139,634	48,747	53,707
- Equity settled share-based transactions	5,433	870	1,376	464
Rental of premises	5,743	6,083	3,162	3,991
Bad debts recovered	(414)	(120)	--	(750)
Changes in fair value of investment property	--	(765)	--	--
Foreign exchange:				
- Unrealised loss/(gain)	719	(41)	(86)	516
- Realised loss/(gain)	2,033	(880)	323	(632)
Dividend income from subsidiaries	--	--	(24,000)	--
Gain on disposal of investment property	--	(1,860)	--	(1,860)
Property, plant and equipment:				
- Written off	49	19	3	19
- Loss/(Gain) on disposal	1,025	(413)	(236)	(404)
Rental income	(284)	(562)	(41)	(50)

Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Directors				
- Fees	571	425	412	412
- Remuneration	17,320	10,948	12,305	9,240
- Contributions to state plans	1,501	1,135	1,476	1,108
- Equity settled share-based transaction	1,301	166	471	166
Total short term employee benefits	20,693	12,674	14,664	10,926
Other key management personnel:				
- Wages, salaries and others	3,943	3,668	577	561
- Contributions to state plans	179	177	69	67
- Other short term employee benefits	30	32	9	9
- Equity settled share-based transaction	374	81	26	14
	4,526	3,958	681	651
	25,219	16,632	15,345	11,577

18. OPERATING PROFIT (CONT'D)

The estimated monetary value of Directors' benefit-in-kind of the Group/Company is RM124,000 (2013: RM132,000).

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

19. TAX (INCOME)/EXPENSE

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current tax expense				
- Malaysian tax				
- Current year	13,865	7,439	--	4,030
- Prior year	(167)	(266)	47	(296)
- Overseas tax				
- Current year	4,366	1,490	--	--
	18,064	8,663	47	3,734
Deferred tax (income)/expense				
- Malaysian tax				
- Origination and reversal of temporary differences	(22,000)	776	(3,148)	(1,094)
- Prior year	201	33	80	243
- Overseas tax				
- Origination and reversal of temporary differences	(942)	8	--	--
	(22,741)	817	(3,068)	(851)
Total tax (income)/expense recognised in profit or loss	(4,677)	9,480	(3,021)	2,883
Tax expense on share of profit of an associate	--	1,426	--	--
Total tax (income)/expense	(4,677)	10,906	(3,021)	2,883
Reconciliation of tax (income)/expense				
Profit for the year	46,670	39,967	12,687	5,750
Total tax (income)/expense	(4,677)	10,906	(3,021)	2,883
Profit before tax	41,993	50,873	9,666	8,633

19. TAX (INCOME)/EXPENSE (CONT'D)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Reconciliation of tax (income)/expense (cont'd)				
Income tax calculated using Malaysian tax rate of 25%	10,498	12,718	2,417	2,158
Effect of different tax rates in foreign jurisdictions	228	(185)	--	--
Effect of gain arising from acquisition of a subsidiary	--	(7,603)	--	--
Deferred tax assets not recognised:				
- associate	--	1,940	--	--
- subsidiaries	2,628	1,481	--	--
Non-deductible expenses	2,156	4,095	1,333	1,516
Tax exempt/Non-taxable income	(14)	(776)	(6,000)	(738)
Utilisation of tax incentives	(1,258)	(531)	--	--
Recognition of unutilised tax incentive	(18,000)	--	--	--
Effect of changes in tax rate*	(949)	--	(398)	--
Reversal of deferred tax arising from control transfer out	--	--	(500)	--
	(4,711)	11,139	(3,148)	2,936
Under/(Over) provided in prior years	34	(233)	127	(53)
Total tax (income)/expense	(4,677)	10,906	(3,021)	2,883

* The Malaysian Budget 2014 announced the reduction of corporate tax rate to 24% with effect from year of assessment 2016. Consequently, deferred tax assets and liabilities of the Malaysian entities which are expected to reverse in 2016 and beyond are measured using the tax rate of 24%.

20. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

Group	2014 RM'000	2013 RM'000
Profit for the year attributable to owners	53,633	43,910

	2014 '000	2013 '000
Weighted average number of ordinary shares at 31 July	181,537	181,212

	2014	2013
Basic earnings per ordinary share (sen)	29.54	24.23

20. EARNINGS PER ORDINARY SHARE (CONT'D)

Diluted earnings per ordinary share

No disclosure is made for diluted earnings per ordinary share for the year as it is anti-dilutive.

21. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2014			
2013 - Second interim, single tier	3.0	5,436	30 October 2013
2014 - First interim, single tier	2.2	3,986	28 January 2014
2014 - Second interim, single tier	2.5	4,628	15 August 2014
		14,050	
2013			
2012 - Fourth interim, single tier	6.0	10,873	25 October 2012
2013 - First interim, single tier	2.0	3,624	31 January 2013
		14,497	

After the reporting period, the following dividends were declared/proposed by the Directors. These dividends will be recognised in subsequent financial period.

	Sen per share	Total amount RM'000	Date of payment
2014 - Third interim, single tier	3.5	6,938	30 October 2014
- Final, single tier	3.5	6,950	--
		13,888	

The final dividend will be recognised in the subsequent financial report upon approval by the owners of the Company at the forthcoming Annual General Meeting.

22. ACQUISITION OF A SUBSIDIARY

V.S. International Group Limited ("VSIG")

On 10 July 2013, the Group acquired additional 17.19% shares in VSIG for RM32.77 million satisfied in cash, increasing its ownership from 38.06*% to 55.25% resulting in VSIG being consolidated.

On consolidation, for the one month up to 31 July 2014, VSIG contributed revenue of RM44.71 million and net loss of RM5.88 million to the Group.

Had the acquisition of VSIG occurred on 1 August 2012, the management estimates that the pro forma consolidated revenue and profit for the year of the combined Group would be RM1,606 million and RM11.5 million respectively.

In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 August 2012.

22. ACQUISITION OF A SUBSIDIARY (CONT'D)

The Group's shareholding in VSIG was 43.06% as at 31 July 2012 and was subsequently diluted to 38.06% due to additional subscriptions of shares in VSIG by third parties, exercise of ESOS and warrants by eligible employees and warrants holders. The effect of the dilution of interest was a loss of RM5.88 million which has been recognised in the statements of profit or loss and other comprehensive income under other expense.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Group 2013 RM'000
Fair value of consideration transferred	
Cash and cash equivalents	34,181
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	289,068
Prepaid lease payments	78,088
Investment in associates	9,270
Inventories	51,482
Trade and other receivables	124,724
Cash and cash equivalents	50,398
Loans and borrowings	(187,119)
Deferred tax liabilities	(26,557)
Trade and other payables	(132,343)
Taxation	(4,236)
Total identifiable net assets	252,775
Net cash inflow arising from acquisition of subsidiary	
Purchase consideration settled in cash and cash equivalents	(34,181)
Cash and cash equivalents acquired	50,398
	16,217
Negative goodwill	
Negative goodwill was recognised as a result of the acquisition as follows:	
Total consideration transferred	34,181
Fair value of previously held equity interest in acquiree	68,144
	102,325
Fair value of identifiable net assets	(252,775)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree	113,116
Negative goodwill	(37,334)
Remeasurement to fair value of the Group's existing interest in the subsidiary	6,921
	(30,413)
Less: Acquisition related costs	1,959
Net impact of acquisition included in other income	(28,454)

Negative goodwill arose mainly as a result of the acquiree's share price at the date of acquisition was below the fair value of identifiable net assets per share.

23. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment represents:-

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current year additions (Note 3)	57,582	33,930	5,660	6,929
Less: Amount under credit term (Note 16)	(7,796)	(6,540)	(3,905)	(1,993)
Finance cost capitalised	(622)	--	--	--
Add: Payment in respect of previous year's purchase of property, plant and equipment	6,540	4,004	1,993	2,628
	55,704	31,394	3,748	7,564

24. OPERATING SEGMENTS

Group

The Group's main business activities comprise investment holding and the manufacturing, assembling and sale of electronic and electrical products and plastic moulded components and parts. These activities are principally located in Malaysia, People's Republic of China and Indonesia. Inter-segment pricing is determined based on negotiated terms.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Managing Director, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is also included in the internal management reports provided to the Group's Managing Director.

24. OPERATING SEGMENTS (CONT'D)

	Malaysia		People's Republic of China		Indonesia		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Segment profit	56,028	31,358	(8,810)	(5,362)	(2,582)	4,341	44,636	30,337
Included in the measure of segment profit are:								
Revenue from external customers	1,078,436	1,019,048	567,610	44,712	66,709	96,210	1,712,755	1,159,970
Inter-segment revenue	1,182	356	6,016	--	--	--	7,198	356
Depreciation and amortisation	(25,143)	(25,031)	(31,735)	(3,577)	(4,572)	(3,908)	(61,450)	(32,516)
Finance costs	(5,803)	(4,456)	(9,265)	(538)	(910)	(505)	(15,978)	(5,499)
Finance income	277	667	304	35	218	227	799	929
Not included in the measure of segment profit but provided to Managing Director								
Tax income/(expense)	8,104	(7,982)	(3,491)	(83)	64	(1,415)	4,677	(9,480)
Segment assets	1,119,334	897,805	610,599	611,417	110,420	93,380	1,840,353	1,602,602
Included in the measure of segment assets are:								
Additions to non-current assets other than financial instruments and deferred tax assets	31,485	16,990	8,840	2,161	18,356	23,024	58,681	42,175
Segment liabilities	592,062	430,900	367,409	358,380	60,966	47,036	1,020,437	836,316

24. OPERATING SEGMENTS (CONT'D)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items.

	2014 RM'000	2013 RM'000
Profit		
Total profit for reportable segments	44,636	30,337
Other non-reportable segments	(2,702)	(2,532)
Elimination of inter-segment profits	748	2,267
Effect of acquisition of a subsidiary (Note 22)	--	30,413
Loss on dilution of interest in an associate	--	(5,878)
Share of loss of associates not included in reportable segments	(689)	(5,160)
Consolidated profit before tax	41,993	49,447

	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Interest income RM'000	Segment assets RM'000	Investment in associates RM'000	Additions to non-current assets RM'000	Segment liabilities RM'000
2014								
Total reportable segments	1,712,755	(61,450)	(15,978)	799	1,840,353	--	58,681	1,020,437
Other non-reportable segments	2,327	(135)	(102)	--	14,767	--	606	22,117
Components not monitored by managing director	--	--	--	--	--	8,187	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(303,431)	--	(1,705)	(131,854)
Consolidated total	1,715,082	(61,585)	(16,080)	799	1,551,689	8,187	57,582	910,700

	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Interest income RM'000	Segment assets RM'000	Investment in associates RM'000	Additions to non-current assets RM'000	Segment liabilities RM'000
2013								
Total reportable segments	1,159,970	(32,516)	(5,499)	929	1,602,602	--	42,175	836,316
Other non-reportable segments	3,941	(165)	(169)	--	6,362	--	--	19,764
Components not monitored by managing director	--	--	--	--	--	9,021	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(204,521)	--	--	(48,507)
Consolidated total	1,163,911	(32,681)	(5,668)	929	1,404,443	9,021	42,175	807,573

24. OPERATING SEGMENTS (CONT'D)

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investments in associates) and deferred tax assets.

	Revenue		Non-current assets	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Group				
Malaysia	561,084	806,929	283,915	280,459
United States of America	501,215	122,820	--	--
Europe	105,260	9,443	--	--
Indonesia	69,219	97,652	65,108	52,521
People's Republic of China	322,081	32,587	340,187	374,622
Others	156,223	94,480	2,672	176
Total	1,715,082	1,163,911	691,882	707,778

Major customers

The following are major customers with revenue equal to or more than 10 percent of the Group's total revenue:

	Revenue		Segment
	2014 RM'000	2013 RM'000	
Customer A	213,040	639,963	Malaysia
Customer B	366,653	100,790	Malaysia

25. CONTINGENCIES (UNSECURED)

	Company	
	2014 RM'000	2013 RM'000
Corporate guarantees given to financial institutions in respect of outstanding term loans and banking facilities of subsidiaries	157,072	103,631

26. FINANCIAL INSTRUMENTS

26.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Financial liabilities measured at amortised cost ("FL"); and
(c) Fair value through profit or loss ("FVTPL")
- forward foreign currency contracts.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	L&R RM'000	FL RM'000	FVTPL - forward foreign currency contracts RM'000
2014				
Group				
Trade and other receivables	447,550	447,550	--	--
Cash and cash equivalents	123,464	123,464	--	--
Loans and borrowings	(409,791)	--	(409,791)	--
Trade and other payables	(406,841)	--	(406,841)	--
Derivative financial liabilities	(136)	--	--	(136)
Dividends payable	(4,628)	--	(4,628)	--
Long term payables	(4,322)	--	(4,322)	--
	(254,704)	571,014	(825,582)	(136)
Company				
Trade and other receivables	70,204	70,204	--	--
Cash and cash equivalents	7,081	7,081	--	--
Dividends receivable	14,000	14,000	--	--
Loans and borrowings	(39,921)	--	(39,921)	--
Trade and other payables	(75,705)	--	(75,705)	--
Dividends payable	(4,628)	--	(4,628)	--
	(28,969)	91,285	(120,254)	--
2013				
Group				
Trade and other receivables	408,090	408,090	--	--
Derivative financial assets	2,436	--	--	2,436
Cash and cash equivalents	97,288	97,288	--	--
Loans and borrowings	(361,757)	--	(361,757)	--
Trade and other payables	(346,860)	--	(346,860)	--
Long term payables	(4,322)	--	(4,322)	--
	(205,125)	505,378	(712,939)	2,436
Company				
Trade and other receivables	171,973	171,973	--	--
Cash and cash equivalents	10,294	10,294	--	--
Loans and borrowings	(72,938)	--	(72,938)	--
Trade and other payables	(139,006)	--	(139,006)	--
	(29,677)	182,267	(211,944)	--

26. FINANCIAL INSTRUMENTS (CONT'D)

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net gains/(losses) arising on:				
Fair value through profit or loss:				
- forward foreign currency contracts	20	(1,181)	(13)	(576)
Loans and receivables	(1,940)	1,490	(171)	1,094
Financial liabilities measured at amortised cost	(16,080)	(5,668)	(2,510)	(1,820)
	(18,000)	(5,359)	(2,694)	(1,302)

26.3 Financial risk management

The Group and Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

26.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade receivables and fixed deposits placements with licensed banks. The Company's exposure to credit risk arises principally from its trade receivables, loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are required to be performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company have significant concentration of credit risk arising from amounts due from two major customers, representing 51% and 77% (2013: 55% and 97%) of the Group's and of the Company's trade receivables respectively.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management makes periodic individual assessment as well as collective assessment on the recoverability of the trade receivables and has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables individually.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Credit risk (cont'd)

Receivables (cont'd)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Malaysia	88,054	183,985	28,580	150,750
Indonesia	12,174	19,274	--	--
People's Republic of China	67,230	63,897	--	--
United States of America	188,613	60,963	--	--
Others	67,392	47,908	--	10
	423,463	376,027	28,580	150,760

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Group			Company		
	Gross RM'000	Individual impairment RM'000	Net RM'000	Gross RM'000	Individual impairment RM'000	Net RM'000
2014						
Not past due	357,978	--	357,978	26,038	--	26,038
Past due 1 - 30 days	42,942	--	42,942	1,582	--	1,582
Past due 31 - 60 days	12,979	--	12,979	124	--	124
Past due 61 - 90 days	2,754	(469)	2,285	8	--	8
Past due more than 90 days	6,810	(3,596)	3,214	828	--	828
	423,463	(4,065)	419,398	28,580	--	28,580
2013						
Not past due	310,447	--	310,447	121,870	--	121,870
Past due 1 - 30 days	52,879	--	52,879	28,823	--	28,823
Past due 31 - 60 days	4,176	--	4,176	61	--	61
Past due 61 - 90 days	2,545	(469)	2,076	--	--	--
Past due more than 90 days	5,980	(3,632)	2,348	6	--	6
	376,027	(4,101)	371,926	150,760	--	150,760

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Credit risk (cont'd)

Receivables (cont'd)

The movements of impairment losses of trade receivables during the financial year were:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 August 2013/2012	4,101	811	--	--
Acquisition through business combination	--	2,777	--	--
Impairment loss recognised	401	480	--	--
Impairment loss written off	(352)	--	--	--
Exchange differences	(85)	33	--	--
At 31 July	4,065	4,101	--	--

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

In determining whether impairment allowance is required to be made, the Group considers financial background of the customers, past transactions and other specific reasons causing outstanding balances to be past due more than 60 days.

The trade receivables that are past due but not impaired as at end of the statement of financial position are regular customers that have been transacting with the Group. The Group does not consider it necessary to impair the receivable amount.

The financial guarantees have not been recognised since fair value on initial recognition was not material.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM157.1 million (2013: RM103.6 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Credit risk (cont'd)

Inter company balances (cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, there was no indication that the loans and advances to subsidiaries are not recoverable.

26.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2014							
Non-derivative financial liabilities							
Secured finance lease liabilities	167	3.49 - 3.57	176	60	50	66	--
Secured term loans	92,870	3.30	95,041	13,602	81,439	--	--
Secured bank overdrafts	5,684	6.50	5,684	5,684	--	--	--
Secured short term loan	36,063	6.00 - 7.20	39,555	39,555	--	--	--
Secured trust receipts	31,751	2.40	31,751	31,751	--	--	--
Unsecured bank overdrafts	1,453	7.70 - 7.80	1,453	1,453	--	--	--
Unsecured short term loan	19,474	6.00 - 7.20	19,474	19,474	--	--	--
Unsecured term loans	79,657	3.04 - 5.25	83,042	21,250	18,049	43,743	--
Unsecured revolving credit	8,000	5.04 - 5.49	8,000	8,000	--	--	--
Unsecured bankers' acceptances	114,838	1.21 - 4.68	114,838	114,838	--	--	--
Unsecured trust receipts	19,834	1.00 - 1.71	19,834	19,834	--	--	--
Due to Directors	4,322	--	4,322	--	--	--	4,322
Trade and other payables	406,841	--	406,841	406,841	--	--	--
Dividends payable	4,628		4,628	4,628	--	--	--
	825,582		834,639	686,970	99,538	43,809	4,322
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	136		76,340	76,340	--	--	--
Inflow	--		(76,204)	(76,204)	--	--	--
	825,718		834,775	687,106	99,538	43,809	4,322

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 Liquidity risk (cont'd)

Group	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2013							
Non-derivative financial liabilities							
Secured finance lease liabilities	646	2.99 - 3.57	677	415	146	116	--
Secured term loans	107,558	3.30	112,691	13,907	15,844	82,940	--
Secured bank overdrafts	10,029	6.50	10,678	10,678	--	--	--
Secured short term loan	26,438	3.80 - 7.20	28,340	28,340	--	--	--
Secured trust receipts	24,038	1.80	24,143	24,143	--	--	--
Unsecured short term loan	16,939	3.80 - 7.20	18,088	18,088	--	--	--
Unsecured term loans	75,998	3.16 - 9.87	95,416	24,058	18,190	45,517	7,651
Unsecured revolving credit	5,000	4.61	5,000	5,000	--	--	--
Unsecured bankers' acceptances	81,794	1.20 - 3.75	81,794	81,794	--	--	--
Unsecured trust receipts	13,317	1.00 - 2.00	13,317	13,317	--	--	--
Due to Directors	4,322	--	4,322	--	--	--	4,322
Trade and other payables	346,860	--	346,860	346,860	--	--	--
	712,939		741,326	566,600	34,180	128,573	11,973
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	--		120,377	120,377	--	--	--
Inflow	(2,436)		(122,813)	(122,813)	--	--	--
	710,503		738,890	564,164	34,180	128,573	11,973
Company							
2014							
Non-derivative financial liabilities							
Secured finance lease liabilities	157	3.57	166	50	50	66	--
Unsecured term loans	18,355	4.05 - 5.25	20,068	6,398	4,557	9,113	--
Unsecured revolving credit	8,000	5.04 - 5.49	8,000	8,000	--	--	--
Unsecured bankers' acceptances	13,409	1.21 - 4.68	13,409	13,409	--	--	--
Trade and other payables	75,705		75,705	75,705	--	--	--
Dividends payable	4,628		4,628	4,628	--	--	--
	120,254		121,976	108,190	4,607	9,179	--
2013							
Non-derivative financial liabilities							
Secured finance lease liabilities	200	3.57	216	50	50	116	--
Unsecured term loans	23,788	4.05 - 5.25	26,799	7,991	5,138	13,670	--
Unsecured revolving credit	5,000	4.61	5,000	5,000	--	--	--
Unsecured bankers' acceptances	43,950	1.20 - 3.75	43,950	43,950	--	--	--
Trade and other payables	139,006	--	139,006	139,006	--	--	--
	211,944		214,971	195,997	5,188	13,786	--

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily US Dollar ("USD").

The other currencies such as Euro, Singapore Dollar, Japanese Yen and Hong Kong Dollar are also used by the Group for sales and purchase purposes. However, the exposures to these currencies are not considered significant to the Group as their usages are not extensive.

Risk management objectives, policies and processes for managing the risk

The Group uses forward exchange contracts from time to time to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	← Denominated in USD →			
	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade and other receivables	342,075	128,719	28,292	11,572
Cash and cash equivalents	45,474	42,521	1,994	6,293
Trade and other payables	(173,997)	(119,410)	(20,005)	(36,827)
Unsecured trust receipt	(19,834)	(13,317)	--	--
Unsecured short term loan	(3,043)	(8,035)	--	--
Unsecured term loans	(2,909)	--	--	--
Secured trust receipts	(31,751)	(24,038)	--	--
Secured term loans	(92,870)	(107,558)	--	--
Forward foreign currency contracts				
- outflow	(76,340)	(120,377)	--	--
- inflow	76,204	122,813	--	--
	63,009	(98,682)	10,281	(18,962)

Currency risk sensitivity analysis

Foreign currency risk mainly arises from Group entities which have Ringgit Malaysia ("RM") and Chinese Renminbi ("RMB") functional currencies. The exposure to currency risk of the other Group entities is not material and hence, sensitivity analysis is not presented.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 Market risk (cont'd)

Currency risk (cont'd)

A 10% (2013: 10%) strengthening of the RM against the following currency at the end of the reporting period would have increased equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Denominated in USD	
	Group	Company
2014	**RM'000**	**RM'000**
Profit or (loss)	(4,726)	(771)
2013		
Profit or (loss)	7,401	1,422

A 10% (2013: 10%) weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Risk management objectives, policies and processes for managing the risk

Exposure to interest rate risk is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptable level.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	25,247	21,416	174	169
Financial liabilities	(187,148)	(140,252)	(21,566)	(49,150)
	(161,901)	(118,836)	(21,392)	(48,981)
Floating rate instruments				
Financial liabilities	(222,643)	(221,505)	(18,355)	(23,788)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 Market risk (cont'd)

Interest rate risk (continued)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the reporting period would have increased (decreased) the Group's and the Company's post-tax profit or loss by RM1,670,000 (2013: RM1,661,000) and RM138,000 (2013: RM178,000) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

26.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

The carrying amount of non-current portion of term loans are subject to floating rate and approximate its fair value as its effective interest rate changes accordingly to movements in the market interest rate.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) and were included in Level 2.

27. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to support the underlying risks in its business activities and to enable future business growth. The Directors monitor and determine to maintain debt-to-equity ratios that complies with debt covenants.

27. CAPITAL MANAGEMENT (CONT'D)

The debt-to-equity ratios at 31 July 2014 and 31 July 2013 were as follows:

	Group	
	2014 RM'000	**2013 RM'000**
Total loans and borrowings (Note 15)	409,791	361,757
Less: Cash and cash equivalents (Note 12)	(123,464)	(97,288)
Net debt	286,327	264,469
Total equity attributable to owners of the Company	526,160	479,646
Debt-to-equity ratio	0.54	0.55

28. CAPITAL COMMITMENTS

	Group	
	2014 RM'000	**2013 RM'000**
Property, plant and equipment		
Contracted but not provided for	--	3,311

29. OPERATING LEASE COMMITMENTS

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

	Group	
	2014 RM'000	**2013 RM'000**
Within one year	2,298	2,368
Two to five years	--	63
	2,298	2,431

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its significant investors, subsidiaries, associates and key management personnel.

30. RELATED PARTIES (CONT'D)

Significant related party transactions

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 18) as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
A. Subsidiaries				
Sales of goods	--	--	63,501	29,110
Sales of plant and equipment	--	--	2,028	392
Purchases of goods	--	--	48,239	161,577
Loan from subsidiaries	--	--	9,621	4,006
Rental expense	--	--	97	186
Dividend received/receivable	--	--	24,000	--
B. Associates				
Purchases of goods	1,002	1,207	--	--
Sale of goods	3,767	--	--	--
C. Companies which are wholly -owned by close family member of certain Directors				
Purchases of tooling	6,022	1,815	--	--
Sales commission income	665	1,417	--	--
Outstanding balances:				
- due to	1,181	317	--	--
- due from	73	552	--	--
D. A company in which certain Directors have substantial financial interest				
Rental expense	58	233	--	--
E. Companies in which a major shareholder has financial interest				
Purchases of goods	15,780	4,719	10,643	1,105
Outstanding balances	8,924	743	7,289	411

30. RELATED PARTIES (CONT'D)

Significant related party transactions (cont'd)

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
F. Remuneration paid to staff who are close family member of certain Directors	1,312	804	393	269
G. A company controlled by a Director				
Operating lease charges and management fee expense	4,184	328	--	--
Outstanding balances:				
- due to	--	483	--	--
- due from	931	792	--	--
H. A company controlled by the family member of a Director				
Sub-contracting fee expense	4,094	955	--	--
Outstanding balances	468	1,084	--	--
I. A company controlled by the family member of a key management personnel				
Repair and maintenance services	415	--	--	--
Outstanding balances	32	--	--	--
J. A Director				
Sale of property	500	--	500	--

31. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 July, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total retained earnings of the Company and its subsidiaries:				
- realised	137,406	125,354	72,534	76,462
- unrealised	4,058	(17,057)	(3,838)	(7,057)
	141,464	108,297	68,696	69,405
Total share of retained earnings from associates				
- realised	(4,983)	(4,972)	--	--
	136,481	103,325	68,696	69,405
Add: Consolidation adjustments	131,382	122,992	--	--
Total retained earnings	267,863	226,317	68,696	69,405

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20 December 2010.

LIST OF **PROPERTIES**

Beneficial Owner(s)	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2014 RM'000	Date of Last Revaluation (R) / Acquisition (A)
V.S. INDUSTRY BERHAD						
PTB 11133 72, 72A-B, Jalan Padi 1 Tampoi Commercial Centre Bandar Baru Uda 81200 Tampoi, Johor Bahru Johor Darul Takzim	0.04	5,280	Rented out (3-storey shop office)	Freehold (22 years)	888	31-Jul-13 (R)
PTD 42659 & 42660 Senai Industrial Estate (Phase III) 81400 Senai Johor Darul Takzim	2.28	93,371	Three (3) blocks of 5-storey hostel	Leasehold for 99 years expiring on 07/09/2094 (3-18 years)	5,728	31-Jul-13 (R)
PTD 88447, Jalan Murni 12 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	12.26	462,101	Factory/office (2-storey)	Freehold (8-11 years)	65,018	31-Jul-13 (R)
PTD 86366, Jalan Murni 8 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	1.76	-	Parking lot	Freehold	2,900	31-Jul-13 (R)
V.S. PLUS SDN. BHD.						
PTD 8823 - PLO 39 Jalan Perindustrian 4 Senai Industrial Estate (Phase II) 81400 Senai Johor Darul Takzim	3.31	275,384	Factory/office (4-storey)	Leasehold for 60 years expiring on 01/06/2051 (22 years)	26,090	31-Jul-13 (R)
PTD 8811 - PLO 46 Jalan Perindustrian 1 Senai Industrial Estate (Phase II) 81400 Senai Johor Darul Takzim	1.55	54,807	Warehouse (2-storey)	Leasehold for 60 years expiring on 14/05/2050 (21 years)	6,291	31-Jul-13 (R)
PTD 65013 - PLO 129 Jalan Cyber 5 Senai Industrial Estate (Phase III) 81400 Senai Johor Darul Takzim	1.00	27,226	Factory/office (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 23/11/2059 (17 years)	3,501	31-Jul-13 (R)
PTD 104700 - PLO 116 & PLO 174 Jalan Cyber 5 Senai Industrial Estate (Phase III) 81400 Senai Johor Darul Takzim	1.50	52,342	Warehouse (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 13/02/2060 (17 years)	5,582	31-Jul-13 (R)

LIST OF **PROPERTIES**

Beneficial Owner(s)	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2014 RM'000	Date of Last Revaluation (R) / Acquisition (A)
V.S. PLUS SDN. BHD.						
PTD 102902 Jalan Murni 8 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	8.19	-	One (1) parcel of vacant industrial land	Freehold	10,000	31-Jul-13 (R)
Lot 214, Jalan Seelong-Senai 81400 Senai Johor Darul Takzim	6.30	227,099	Factory/office (2-storey)	Freehold (4 years)	32,485	31-Jul-13 (R)
V.S. ELECTRONICS SDN. BHD.						
PTD 8816 - PLO 47 Jalan Perindustrian 1 Senai Industrial Estate (Phase II) 81400 Senai Johor Darul Takzim	3.30	185,039	Factory/office (5-storey)	Leasehold for 60 years expiring on 14/05/2050 (18 years)	21,101	31-Jul-13 (R)
V.S. TECHNOLOGY SDN. BHD.						
PTD 8799 - PLO 7 Jalan Perindustrian Senai Industrial Estate (Phase I) 81400 Senai Johor Darul Takzim	1.19	55,640	Factory/office (2-storey)	Leasehold for 60 years expiring on 11/02/2047 (27 years)	5,982	31-Jul-13 (R)
V.S. ASHIN TECHNOLOGY SDN. BHD.						
72061- PLO 121 Jalan Cyber 5 Senai Industrial Estate (Phase III) 81400 Senai Johor Darul Takzim	1.00	27,900	Vacant (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 15/06/2064 (14 years)	3,600	31-Jul-14 (R)
PT. V. S. TECHNOLOGY INDONESIA						
Jl. Jababeka IV E Blok V 78K Kawasan Industri Jababeka Cikarang Pasirgombong Lemahabang Bekasi 17550 Indonesia	0.72	40,106	Factory/ office (2-storey)	Leasehold for 30 years expiring on 24/09/2023 (12 years)	2,861	31-Jul-13 (R)

Beneficial Owner(s)	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2014 RM'000	Date of Last Revaluation (R) / Acquisition (A)
PT. V. S. TECHNOLOGY INDONESIA						
Jl. Cendana Raya Blok F.10 No. 06B Kawasan Industri Delta Silicon III Lippo Cikarang Bekasi 17550 Indonesia	6.28	247,754	Factory/ office (2-storey)	Leasehold for 30 years expiring on 30/11/2032	38,724	5-Jul-11 (A)
V. S. TECHNOLOGY INDUSTRY PARK (ZHUHAI) CO., LTD.						
Beisha Village Tangjia Wan Town Xiangzhou District Zhuhai Guangdong Province The People's Republic of China	78.21	1,499,771	Factory/ office/ warehouse	Leasehold for 50 years expiring on 20/02/2051 (13 years)	180,797	10-Jul-13 (A)
QINGDAO GS ELECTRONICS PLASTIC CO., LTD.						
Qianwangang Road South Haier International Industrial Park Qingdao Economic and Technology Development Zone Huangdao District Qingdao Shandong Province The People's Republic of China	7.57	222,148	Factory/ office	Leasehold for 50 years expiring on 09/01/2052 (12 years)	30,458	10-Jul-13 (A)
QINGDAO GP ELECTRONIC PLASTICS CO., LTD.						
Hetao Export Processing Zone Qingdao City Chengyang District Qingdao Shandong Province The People's Republic of China	6.00	194,179	Factory/ office	Leasehold for 50 years expiring on 30/12/2056 (8 years)	16,784	10-Jul-13 (A)

ANALYSIS OF **SHAREHOLDINGS**

As at 31 October 2014

Authorised Share Capital	:	RM500,000,000
Issued and Fully Paid-Up Capital	:	RM199,634,223
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per ordinary share
No. of Shareholders	:	3,757

DISTRIBUTION OF SHAREHOLDINGS

Range of Shares	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
1 - 99	379	10.09	16,457	0.01
100 - 1,000	331	8.81	189,808	0.10
1,001 - 10,000	2,219	59.06	8,977,557	4.50
10,001 - 100,000	684	18.21	19,412,263	9.72
100,001 - 9,981,710	141	3.75	108,426,490	54.31
9,981,711 and above	3	0.08	62,611,648	31.36
Total	3,757	100.00	199,634,223	100.00

LIST OF TOP 30 SHAREHOLDERS AS AT 31 OCTOBER 2014
(as shown in the Record of Depositors)

No.	Name of Shareholders	Shares Held	Percentage (%)
1.	HSBC Nominees (Tempatan) Sdn Bhd *Exempt An For BNP Paribas Wealth Management Singapore Branch (Local)*	30,409,489	15.23
2.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Beh Kim Ling (MBB HK-240577)*	18,485,228	9.26
3.	Beh Kim Ling	13,716,931	6.87
4.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An For OCBC Securities Private Limited (Client A/C-NR)*	9,371,250	4.69
5.	Lembaga Tabung Haji	8,512,315	4.26
6.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Gan Sem Yam*	5,525,850	2.77
7.	Gan Tiong Sia	5,485,686	2.75
8.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank For Gan Tong Chuan (PBCL-0G0006)*	4,150,125	2.08
9.	Gan Sem Yam	3,505,991	1.76
10.	HSBC Nominees (Asing) Sdn Bhd *HSBC-FS For Legg Mason Western Asset Southeast Asia Special Situations Trust (201061)*	3,231,200	1.61
11.	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Commerce Trustee Berhad – Kenanga Growth Fund*	2,646,400	1.33
12.	Chin Chin Seong	2,585,100	1.29
13.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For JPMorgan Chase Bank, National Association (Norges BK Lend)*	2,206,600	1.11
14.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank For Kuah Hun Liang (MY0271)*	2,128,136	1.07
15.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Gan Tong Chuan (MBB HK-280356)*	2,069,931	1.04
16.	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)*	1,988,200	1.00

No.	Name of Shareholders	Shares Held	Percentage (%)
17.	Gan Swu Kim	1,749,000	0.88
18.	Citigroup Nominees (Asing) Sdn Bhd		
	CBNY For Dimensional Emerging Markets Value Fund	1,673,193	0.84
19.	Ng Ang Lim	1,605,106	0.80
20.	HSBC Nominees (Asing) Sdn Bhd		
	Exempt An For The Bank Of New York Mellon (Mellon Acct)	1,565,101	0.78
21.	CIMSEC Nominees (Tempatan) Sdn Bhd		
	CIMB Bank For Gan Chu Cheng (PBCL-0G0003)	1,500,000	0.75
22.	HSBC Nominees (Tempatan) Sdn Bhd		
	HSBC (M) Trustee Bhd For Manulife Investment Progress Fund (4082)	1,449,900	0.73
23.	Citigroup Nominees (Tempatan) Sdn Bhd		
	Exempt An For OCBC Securities Private Limited (Client A/C-R ES)	1,447,300	0.72
24.	HSBC Nominees (Tempatan) Sdn Bhd		
	HSBC (M) Trustee Bhd For Manulife Investment Dividend Fund (5311-401)	1,436,200	0.72
25.	Gan Chong Thai @ Gan To	1,435,250	0.72
26.	HSBC Nominees (Asing) Sdn Bhd		
	Exempt An For Morgan Stanley & Co. LLC (Client)	1,278,300	0.64
27.	Cartaban Nominees (Tempatan) Sdn Bhd		
	RHB Trustees Berhad For Manulife Investment Shariah Progress Fund	1,248,600	0.63
28.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad		
	Deutsche Trustees Malaysia Berhad For Hong Leong Penny StockFund	1,152,000	0.58
29.	V.S. Industry Berhad – Share Buy Back Account	1,149,336	0.57
30.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad		
	Deutsche Trustees Malaysia Berhad For Hong Leong Growth Fund	1,047,000	0.52
	Total	135,754,718	68.00

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 31 OCTOBER 2014
(as shown in the Register of Substantial Shareholders)

No.	Name of Substantial Shareholders	Interests in Shares		Note	Percentage (%)
		Direct	Deemed		
1.	Datuk Beh Kim Ling	32,202,159	26,340,124	(a)	29.48
2.	Datin Gan Chu Cheng	23,380,140	35,162,143	(b)	29.48
3.	Datuk Gan Sem Yam	15,559,529	2,598,250	(c)	9.14
4.	Datin Ling Sok Mooi	525,000	17,632,779	(d)	9.14

DIRECTORS' INTERESTS IN SHARES AS AT 31 OCTOBER 2014

	Name of Directors	Interests in Shares Direct	Deemed	Note	Percentage (%)
A.	**In the Company**				
	Datuk Beh Kim Ling	32,202,159	26,340,124	(a)	29.48
	Datin Gan Chu Cheng	23,380,140	35,162,143	(b)	29.48
	Datuk Gan Sem Yam	15,559,529	2,598,250	(c)	9.14
	Dato' Gan Tiong Sia	5,485,686	21,420	(e)	2.77
	Ng Yong Kang	236,000	-		0.12
	Tan Sri Mohd Nadzmi Bin Mohd Salleh	-	-		-
	Pan Swee Keat	60,000	-		0.03
	Tang Sim Cheow	-	-		-
	Chong Chin Siong (Alternate Director to Datin Gan Chu Cheng)	-	-		-
B.	**In Related Corporations**				
	(i) V.S. Ashin Technology Sdn. Bhd. (Ordinary shares of RM1.00 each)				
	Datuk Beh Kim Ling	-	5,880,000	(f) & (i)	84.00
	Datin Gan Chu Cheng	672,000	5,208,000	(f)	84.00
	Datuk Gan Sem Yam	746,667	-		10.67
	(ii) V.S. Plus Sdn. Bhd. (Ordinary shares of RM1.00 each)				
	Datuk Beh Kim Ling	-	49,625,000	(f)	99.25
	Datin Gan Chu Cheng	-	49,625,000	(f)	99.25
	(iii) VS Marketing & Engineering Pte. Ltd. (Ordinary shares)				
	Datuk Beh Kim Ling	-	1,224,000	(f)	51.00
	Datin Gan Chu Cheng	-	1,224,000	(f)	51.00
	Datuk Gan Sem Yam	-	816,000	(g)	34.00
	Dato' Gan Tiong Sia	-	120,000	(h)	5.00
	(iv) Serumi International Private Limited (Ordinary shares)				
	Datuk Beh Kim Ling	-	1,160,000	(f)	58.00
	Datin Gan Chu Cheng	-	1,160,000	(f)	58.00
	Datuk Gan Sem Yam	-	1,160,000	(g)	58.00

Name of Directors	Interests in Shares Direct	Deemed	Note	Percentage (%)
(v) V.S. International Group Limited (Ordinary shares of HKD0.05 each)				
Datuk Beh Kim Ling	67,962,027	861,156,675	(f) & (i)	62.40
Datin Gan Chu Cheng	61,068,704	868,049,998	(f) & (j)	62.40
Datuk Gan Sem Yam	35,737,117	-		2.40
Dato' Gan Tiong Sia	34,215,074	-		2.30
Tang Sim Cheow	639,130	-		0.04
(vi) V.S. Corporation (Hong Kong) Co., Limited (Non-voting deferred shares of HKD1.00 each)				
Datuk Beh Kim Ling	3,750,000	3,750,000	(i)	10.00
Datin Gan Chu Cheng	3,750,000	3,750,000	(j)	10.00
Datuk Gan Sem Yam	3,750,000	-		5.00
Dato' Gan Tiong Sia	3,750,000	-		5.00
(vii) V.S. Investment Holdings Limited (Ordinary shares of HKD1.00 each)				
Datuk Beh Kim Ling	5	5	(i)	*
Datin Gan Chu Cheng	5	5	(j)	*
Datuk Gan Sem Yam	5	-		*

Note:

(a) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng and his daughters, Miss Beh Hwee Lee and Miss Beh Hwee Sze.
(b) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling and her daughters, Miss Beh Hwee Lee and Miss Beh Hwee Sze.
(c) By virtue of the shareholdings of his spouse, Datin Ling Sok Mooi, his son, Mr. Gan Pee Yong and daughter, Miss Gan Chian Yi.
(d) By virtue of the shareholdings of her spouse, Datuk Gan Sem Yam, her son, Mr. Gan Pee Yong and daughter, Miss Gan Chian Yi.
(e) By virtue of the shareholdings of his spouse, Datin Loi Hui Hong.
(f) By virtue of his/her substantial shareholdings in V.S. Industry Berhad.
(g) By virtue of his substantial shareholdings in V.Plus Resources Pte. Ltd.
(h) By virtue of the shareholdings of his daughter, Miss Gan Swu Juan.
(i) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng.
(j) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling.

* Negligible percentage



Teamwork is the ability to work together toward a common vision. The ability to direct individual accomplishments toward organizational objectives.

It is the fuel that allows common people to attain uncommon results.

Andrew Carnegie

V.S. INDUSTRY BERHAD (88160-P)
(Incorporated in Malaysia)

FORM OF PROXY

I/We, _____ (NRIC No. _____)

of _____ being a

member/members of **V.S. INDUSTRY BERHAD** ("the Company") do hereby appoint _____

_____ (NRIC No. _____) of

_____

or failing him/her, _____ (NRIC No. _____)

of _____

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Thirty Second Annual General Meeting of the Company to be held at Perwira 1, Le Grandeur Palm Resort Johor, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor on Monday, 5 January 2015 at 10.00 a.m. and at any adjournment thereof.

Please indicate clearly with an "X" where appropriate against each resolution how you wish your proxy to vote. If no specific direction to voting is given, the proxy will vote or abstain at his/her discretion.

NO.	RESOLUTIONS	FOR	AGAINST
1	Approval of a final single tier dividend of 3.5 sen per ordinary share of RM1.00 each for the financial year ended 31 July 2014		
2	Approval of Directors' fees		
3	Re-election of retiring Director, Datin Gan Chu Cheng		
4	Re-election of retiring Director, Dato' Gan Tiong Sia		
5	Re-election of retiring Director, Tan Sri Mohd Nadzmi Bin Mohd Salleh		
6	Re-appointment of KPMG as Auditors and authorise the Directors to fix their remuneration		
7	Authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
8	Renewal of Shareholders' Approval for Share Buy-Back		
9	Renewal of Shareholders' Mandate for RRPTs with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang		
10	Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates		
11	Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited		
12	Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd		
13	Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries		
14	New Shareholders' Mandate for RRPTs with Beeantah Pte Ltd		
15	Retention of Tan Sri Mohd Nadzmi Bin Mohd Salleh as Independent Non-Executive Director		
16	Retention of Mr Pan Swee Keat as Independent Non-Executive Director		
17	Retention of Mr Tang Sim Cheow as Independent Non-Executive Director		

Signed this _____ day of _____ 2014 / 2015

Number of ordinary shares held

_____
Signature of Member(s)

NOTES:

i. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.

ii. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

iii. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

iv. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

Where a Member or authorised nominee appoints two (2) proxies, or where an Exempt Authorised Nominee appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

v. All forms of proxy must be deposited at the Registered Office of the Company situated at Suite 7E, Level 7, Menara Ansar, 65, Jalan Trus, 80000 Johor Bahru, Johor, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Fold this flap for sealing

Then fold here

AFFIX
STAMP
HERE

The Company Secretary

V.S. INDUSTRY BERHAD (88160-P)

Suite 7E, Level 7
Menara Ansar
65 Jalan Trus
80000 Johor Bahru
Johor, Malaysia

1st fold here

CORPORATE **DIRECTORY**

MALAYSIA
Headquarters
PTD 86556, Jalan Murni 12
Taman Perindustrian Murni
81400 Senai
Johor Darul Takzim
Tel No : 07-597 3399
Fax No : 07-599 4694
Website : www.vs-i.com

SUBSIDIARY COMPANIES
MALAYSIA
V.S. Plus Sdn. Bhd.
PLO 129, Jalan Cyber 5
Senai Industrial Estate (Phase III)
81400 Senai
Johor Darul Takzim
Tel No : 07-598 3000
Fax No : 07-598 2000

PLO 39, Jalan Perindustrian 4
Senai Industrial Estate (Phase II)
81400 Senai
Johor Darul Takzim
Tel No : 07-599 4199
Fax No : 07-599 5845

Lot 214, Jalan Seelong
81400 Senai
Johor Darul Takzim
Tel No : 07-596 8989
Fax No : 07-596 8800

V.S. Technology Sdn. Bhd.
PLO 7, Jalan Perindustrian
Senai Industrial Estate (Phase I)
81400 Senai
Johor Darul Takzim
Tel No : 07-599 5050
Fax No : 07-599 5479

V.S. Electronics Sdn. Bhd.
PLO 47, Jalan Perindustrian 1
Senai Industrial Estate (Phase II)
81400 Senai
Johor Darul Takzim
Tel No : 07-597 3199
Fax No : 07-599 7608

V.S. Ashin Technology Sdn. Bhd.
Registered Office
Suite 7E, Level 7, Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor Darul Takzim
Tel No : 07-224 1035
Fax No : 07-221 0891

V.S. Logistics Sdn. Bhd.
Registered Office
Unit 901, Level 9, City Plaza
21, Jalan Tebrau
80300 Johor Bahru
Johor Darul Takzim
Tel No : 07-333 1898
Fax No : 07-333 0899

INDONESIA
PT. V.S. Technology Indonesia
Jl. Cendana Raya
Blok F.10 No. 06B
Kawasan Industri Delta Silicon III
Lippo Cikarang Bekasi
17550 Indonesia
Tel No : 62-212 9288 998
Fax No : 62-212 9617 877

SINGAPORE
VS Marketing & Engineering Pte. Ltd.
Serumi International Private Limited
36 Armenian Street
#02-02 Singapore 179934

MAURITIUS
V.S. Holdings (M) Ltd
Registered Office
St. Louis Business Centre
Cnr Desroches & St. Louis Streets
Port Louis
Mauritius
Tel No : 230-203 1100
Fax No : 230-203 1150

HONG KONG
V.S. International Group Limited
Registered Office
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business
40th Floor, Jardine House
1 Connaught Place
Central, Hong Kong
Tel No : 852-2511 9002
Fax No : 86-756 3385 681

ASSOCIATES
INDONESIA
PT. VS Mining Resources
Jl. Cendana Raya
Blok F.10 No. 06B
Kawasan Industri Delta Silicon III
Lippo Cikarang Bekasi
17550 Indonesia
Tel No : 62-212 9288 998
Fax No : 62-212 9617 877

V.S. INDUSTRY BERHAD
(Co. No. 88160-P)

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