



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

## Annual Report 2013



# STRENGTHENING OUR CORE



STRENGTHENING  
**OUR CORE**

The core strength of a business entity is the primary essence which sustains its long-term performance and durability.

For over three decades, V.S. Industry has honed and sharpened its expertise in the Electronics Manufacturing Services (EMS) space, serving a steadily-growing clientele from the world over. With our visionary management team and entrepreneurial spirit, we are as dedicated to strengthening our core as to bringing favourable returns to our shareholders.

# CONTENTS

Corporate Information	01
Corporate Profile	02
Geographical Footprint	03
Corporate Structure	04
Financial Highlights	06
Share Price Performance	08
Letter to Shareholders	09
Face-to-Face with the Management	11
Notice of Annual General Meeting	13
Statement Accompanying Notice of Thirty First Annual General Meeting	22
Directors' Profile	23
Corporate Governance Statement	26
Sustainability Policy	35
Audit Committee Report	36
Statement on Risk Management and Internal Control	39
Financial Statements	41
List of Properties	132
Analysis of Shareholdings	135
Proxy Form	enc.



# CORPORATE INFORMATION

## Board of Directors

Datuk Beh Kim Ling  
*Executive Chairman*

Datuk Gan Sem Yam  
*Managing Director*

Datin Gan Chu Cheng  
*Executive Director*

Gan Tiong Sia  
*Executive Director*

Ng Yong Kang  
*Executive Director*

Dato' 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*

Chang Tian Kwang  
*Alternate Director to  
Datin Gan Chu Cheng*

## Audit Committee

Tang Sim Cheow  
*(Chairman)*  
Pan Swee Keat  
Dato' 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

Chang Tian Kwang  
Ang Mui Kiow

## 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](http://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 6 consecutive years from 2007 to 2012.

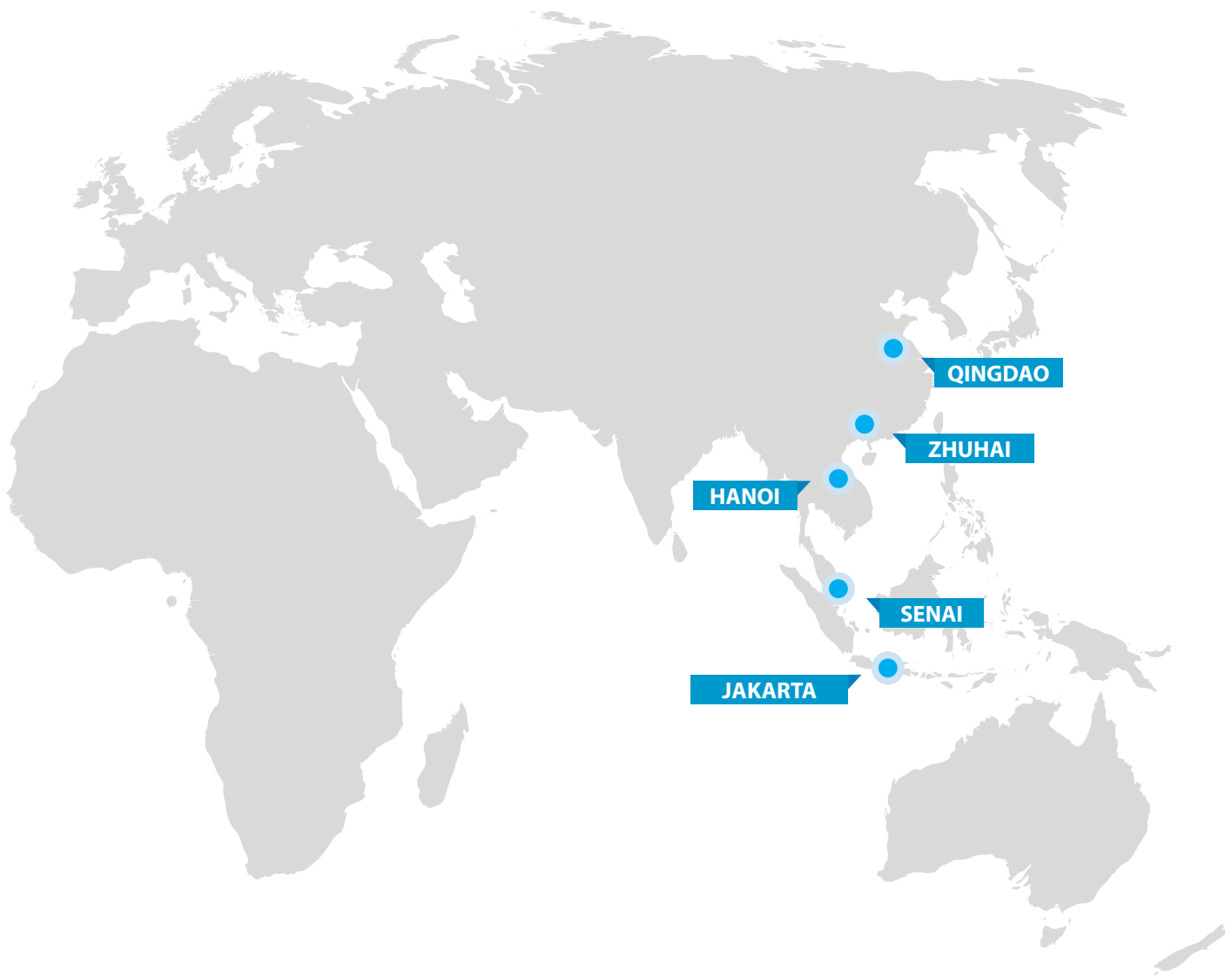
Together with our Hong Kong Stock Exchange listed subsidiary V.S. International Group Limited, VS has advanced manufacturing facilities located in Malaysia, China, Indonesia and Vietnam, who collectively employ a workforce of more than 10,000 people. The VS Group offers one stop manufacturing solutions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





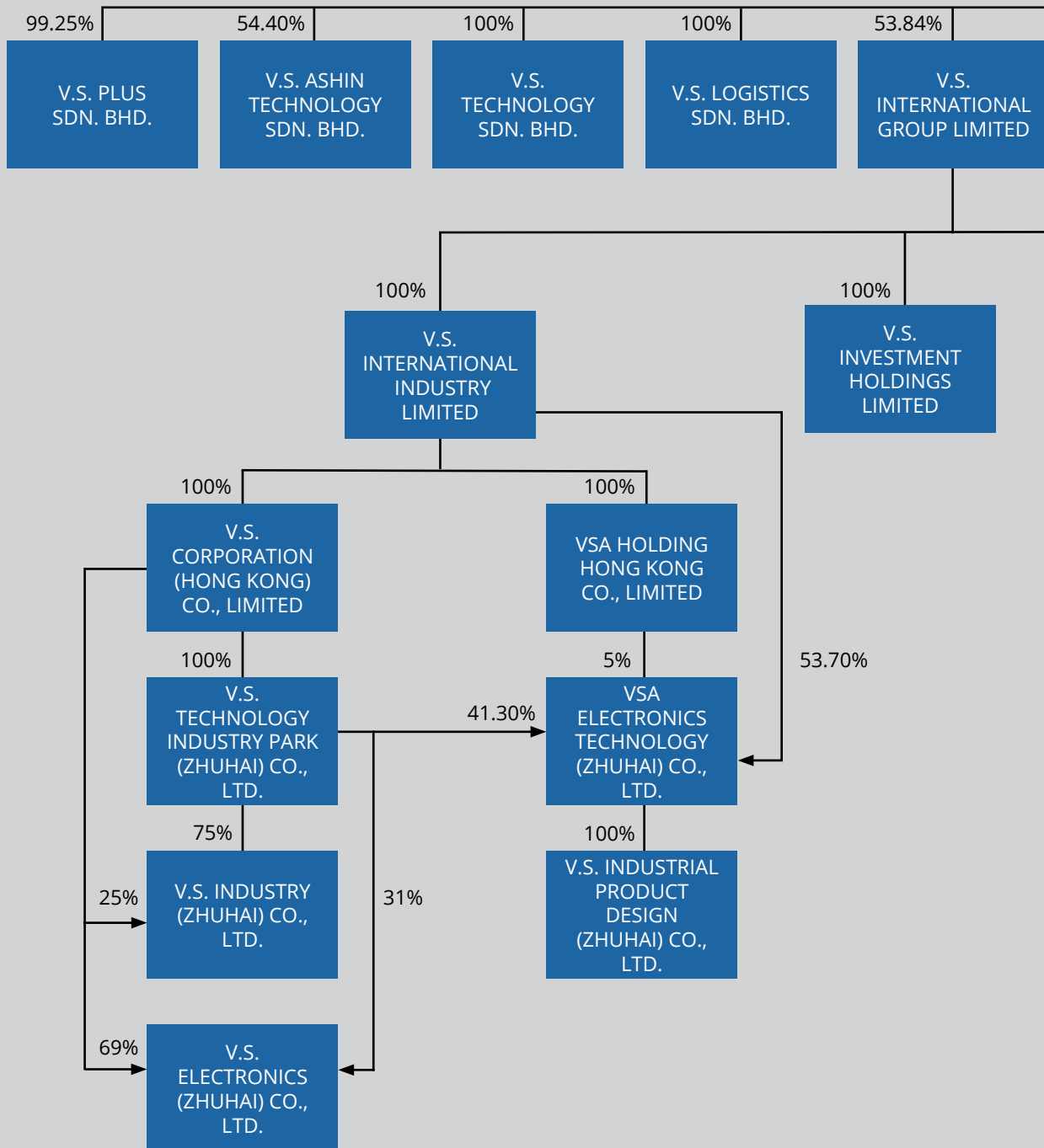
# GEOGRAPHICAL FOOTPRINT



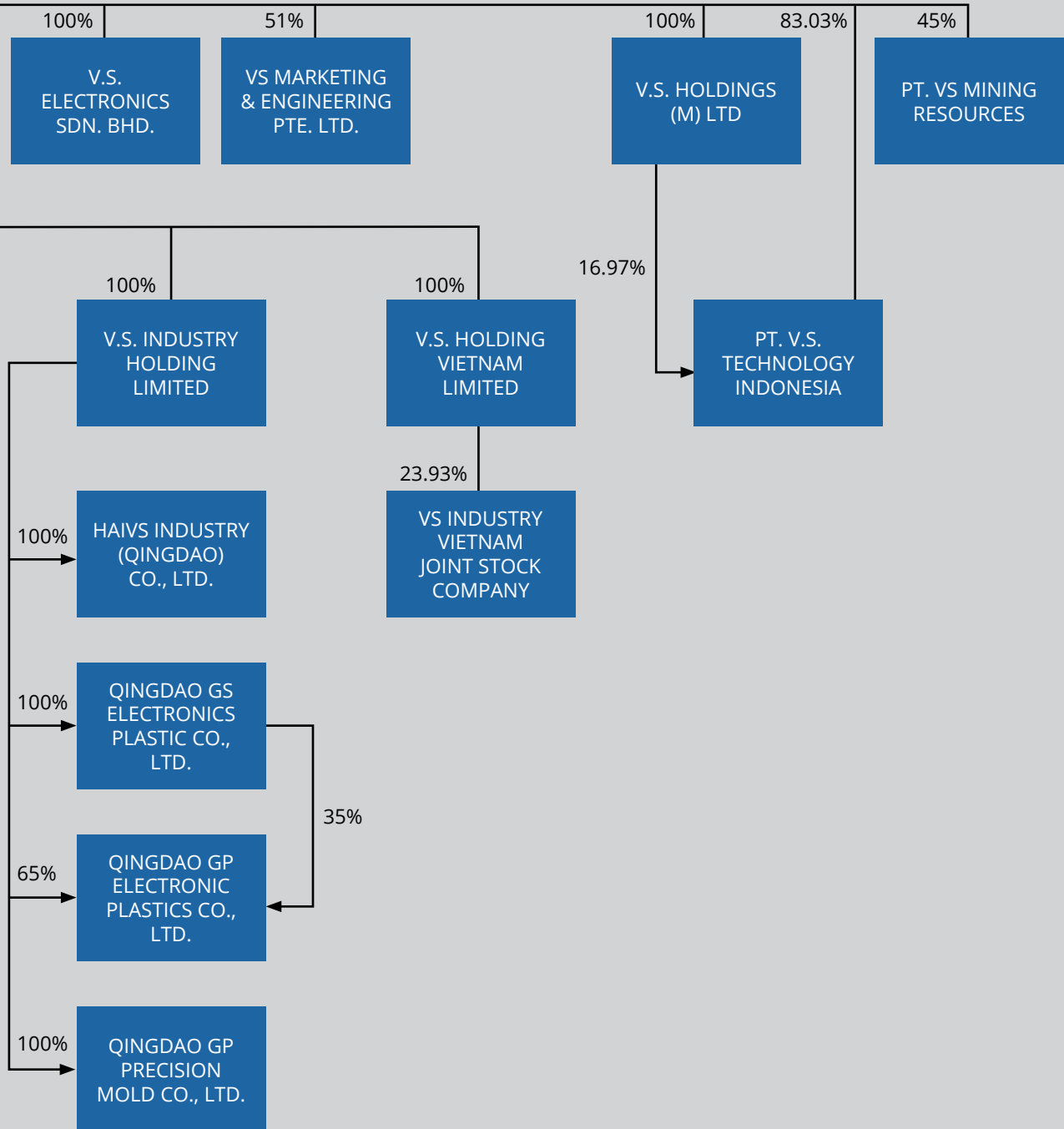
With more than 10 facilities across Asia, the VS Group effectively serves the EMS needs of customers worldwide

# CORPORATE STRUCTURE

## V.S. INDUSTRY BERHAD



# V.S. INDUSTRY BERHAD



# FINANCIAL HIGHLIGHTS



<b>FINANCIAL SUMMARY</b>					
<b>For the Financial Year Ended 31 July (RM'000)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Revenue	1,163,911	1,201,992	1,026,818	800,170	724,836
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	92,027	95,275	95,712	75,992	64,957
Earnings before Interest and Tax ("EBIT")	59,346	66,788	67,337	47,842	36,040
Share of Results of Associates	(5,160)	(13,080)	(10,491)	(3,648)	(16,215)
Profit before Tax ("PBT")	49,447	48,791	51,363	38,777	13,021
Net Profit after Minority Interest	43,910	37,390	27,721	24,290	5,224
Total Dividends Paid	9,060	27,185	16,333	11,751	2,331
<b>As At 31 July (RM'000)</b>					
Shareholders' Funds	479,646	410,491	393,609	374,587	357,816
Share Capital (RM1.00 par)	182,327	182,327	182,327	179,702	179,702
Reserves (Net of Treasury Shares at Cost)	297,319	228,164	211,282	194,885	178,114
Total Assets	1,404,443	850,986	772,166	754,179	711,523
Net Current Assets	94,561	103,724	97,036	45,937	(4,314)
Total Borrowings	361,757	138,008	134,829	170,044	177,650
Cash and Cash Equivalents	97,288	58,680	71,853	67,364	54,697
<b>Per Share</b>					
Basic Earnings per Share (sen)	24.2	20.6	15.3	13.5	2.9
Total Tax-Exempt Dividend per Share (sen)	5.0	15.0	9.0	6.5	1.3
Net Tangible Assets per Share (RM)	2.6	2.3	2.2	2.1	2.0
<b>Returns (%)</b>					
Return on Average Shareholders' Equity (%)	9.9	9.3	7.2	6.6	1.5
Return on Average Total Assets (%)	3.9	4.6	3.6	3.3	0.7
<b>Financial Analysis</b>					
Gross Margin (%)	9.1	12.2	14.4	15.2	13.6
Operating Margin (%)	5.1	5.6	6.6	6.0	5.0
PBT Margin (%)	4.2	4.1	5.0	4.8	1.8
Net Margin (%)	3.8	3.1	2.7	3.0	0.7
Gearing (Net of Cash) (times)	0.6	0.2	0.2	0.3	0.3
Interest Coverage (times)	12.5	13.6	12.3	8.8	5.3
Dividend Payout Ratio (%)	67.1*	72.7	58.9	48.4	44.6

\* Based on FY2013 core operational profit



# FINANCIAL HIGHLIGHTS

CONT'D

13%

REVENUE CAGR<sup>1</sup>

70%

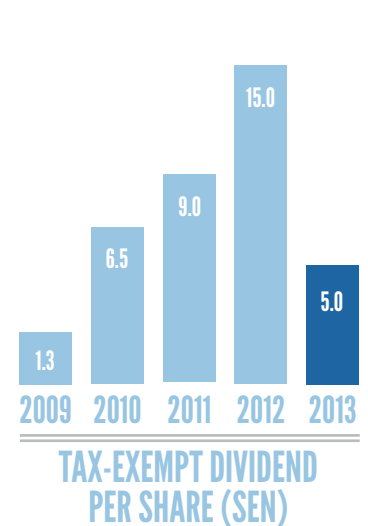
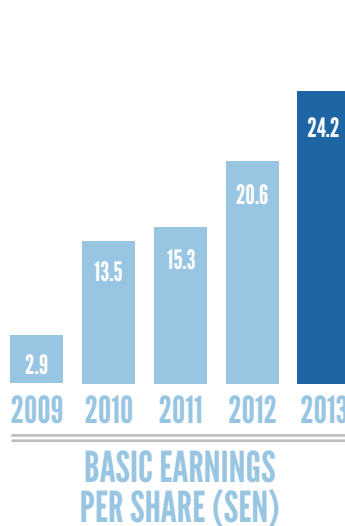
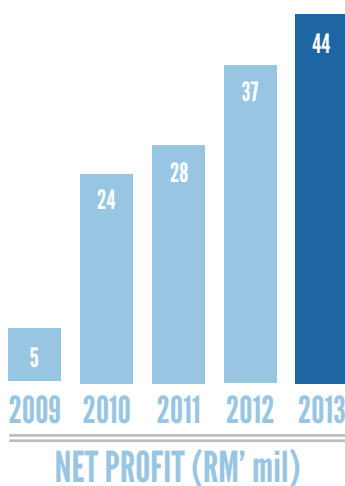
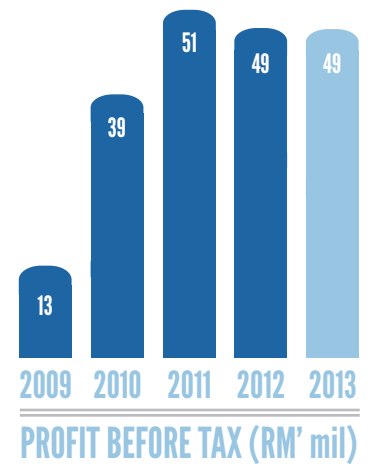
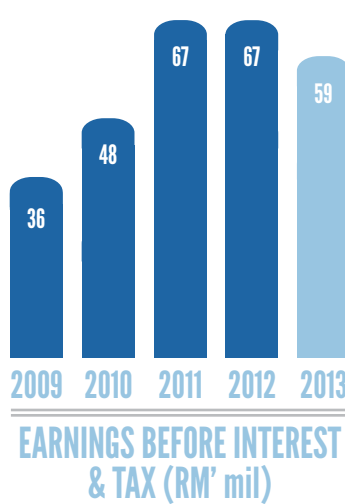
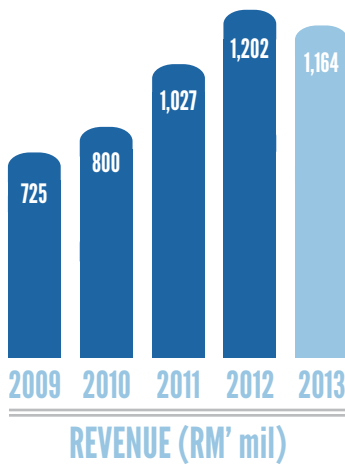
NET PROFIT CAGR<sup>1</sup>

67%

FY2013 DIVIDEND  
PAYOUT<sup>2</sup>

10%

RETURN ON  
SHAREHOLDERS' EQUITY  
(ROE)



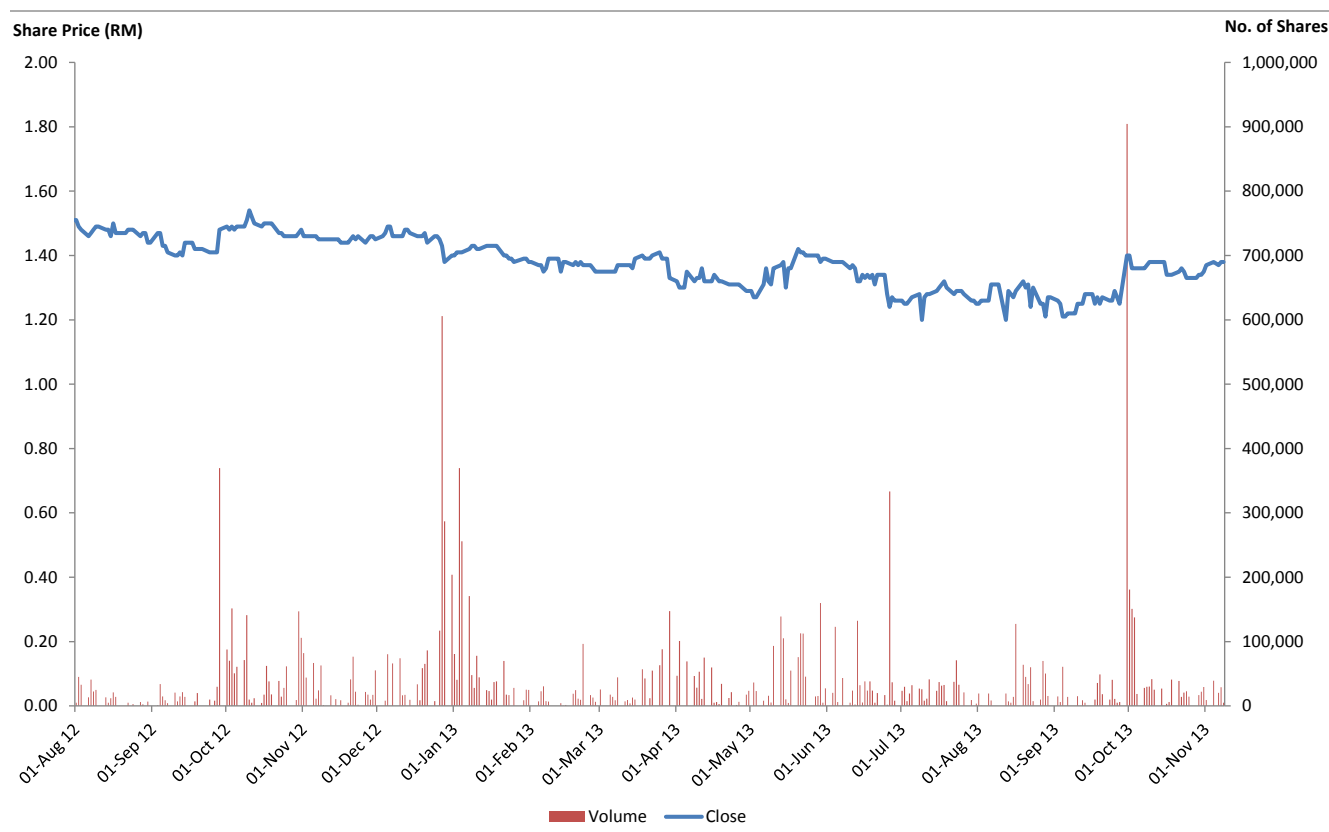
<sup>1</sup> Compounded Annual Growth Rate from 2009 to 2013

<sup>2</sup> Based on FY2013 core operational profit

# SHARE PRICE PERFORMANCE



FROM 1 AUGUST 2012 TO 28 NOVEMBER 2013



Share Price @ Period Close (28 November 2013):	1.39
Market Capitalisation	RM253.4mil
FY13 Price-Earnings (PE) Ratio	5.7x
Price-to-Book Ratio	0.5x
FY13 Dividend Yield	3.6%



# LETTER TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present, on behalf of the Board of Directors of V.S Industry Berhad (VS or the Group), the Annual Report and audited financial results of the Group and Company for the financial year ended 31 July 2013 (FY2013).

The year under review was undoubtedly challenging for the overall industry as global markets felt the adverse impact of economic uncertainty, particularly with the delayed growth in the United States and the prolonged Eurozone debt crisis. Overall, global real gross domestic product (GDP) growth declined to 3.2% in 2013 from 4.0% in the previous year, according to the International Monetary Fund (IMF).

Similarly, China - the world's second largest economy - had posted slower growth rates in line with the weaker pace of manufacturing activities, due to the lack of effective demand worldwide.

Consequently, these negative predicaments cast a shadow on demand for consumer electronics, therefore dampening the outlook for the international Electronics Manufacturing Services (EMS) sector. This demand constraint was exacerbated by much keener competition among EMS players due to the fast-paced technology evolution in today's environment.

## FY2013 FINANCIAL PERFORMANCE

Despite the global turbulence in FY2013, VS managed to achieve commendable performance with group revenue sustained at the RM1.2 billion level. The consistent topline by the Group was mainly attributable to higher sales orders for electrical and electronic products from customers at our Malaysian and Indonesian operations.

Of the total revenue, RM1.0 billion or 88% was generated from the Group's Malaysian operations, while RM96.2 million or 8% was derived from the Indonesian operations. Meanwhile, China operations accounted for the balance RM44.7 million or 4% of group revenue, contributed within a short period from 10 July to 31 July 2013.

It must be noted that VS had acquired an additional 17.2% stake in V.S. International Group Limited (VSIG) on 10 July 2013. This resulted in VSIG being a subsidiary of VS, where VSIG's revenue contributions would hereon be consolidated into the Group's topline.

As the acquisition of the additional stake in VSIG was at a price below its book value, the exercise resulted in the Group recording net gain of RM30.4 million in FY2013, effectively from the negative goodwill. This bumped up group net profit by 17.4% to RM43.9 million in FY2013, from RM37.4 million in the previous year. Basic earnings per share (EPS) increased correspondingly to 24.23 sen, from 20.62 sen previously.

The Group's balance sheet remained healthy, with higher cash and cash equivalents of RM97.3 million compared to RM58.7 million in the previous year-end; while shareholder's equity increased to RM479.6 million, from RM410.5 million previously.

With the consolidated balance sheet post-acquisition of VSIG, total borrowings of the enlarged Group increased to RM361.8 million in FY2013, versus RM138.0 million previously. This subsequently resulted in a hike in the Group's net gearing to 0.6 time as at end-July 2013, versus 0.2 time previously.

# LETTER TO SHAREHOLDERS

CONT'D

## 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 2.0 sen per share in respect of FY2013, which was paid on 31 January 2013.

On 27 September 2013, the Board declared a second interim single tier dividend of 3.0 sen per share, which was paid on 30 October 2013.

Altogether, the Group declared total dividends of 5.0 sen per share in respect of FY2013 with dividend payout of RM9.1 million. Based on the Group's core operating profit of RM13.5 million excluding the one-off net gain, the Group distributed 67.1% of net profits as dividends to shareholders which is in tandem with VS' 40% dividend policy.

## FUTURE PROSPECTS

The global economy in the year ahead is largely expected to remain protracted at best, in the face of multiple challenges.

For one thing, the continued economic uncertainty is anticipated to result in constricted demand for consumer electronics worldwide, which in turn, affects the mid-term order visibility for EMS providers. Furthermore, EMS providers would also have to cope with rapid technology and product innovation, which may require constant investments in capital expenditure and modifications in production processes in order to facilitate quicker go-to-market for customers' products.

Notwithstanding these developments, we intend to step up our efforts in business development and product innovation as a differentiating factor in the global arena.

Therefore, we aim to continuously establish higher-value added manufacturing processes in our operations while keeping our operational and manufacturing costs at an optimised level.

Also, the wider presence of the enlarged Group - situated in three key manufacturing hubs of Malaysia, Indonesia, and China - allows us the tremendous opportunity to widen our customer base across major multinational corporations in these regions.

Most importantly, we will strengthen our core competencies by carrying out extensive research and development (R&D) activities together with key customers, in order to meet the evolving trends in the E&E sector.

## CORPORATE GOVERNANCE

In promoting and ensuring healthy corporate governance, the Board strongly believes in balancing the interest of the many stakeholders in the company as well as attaining the company's objectives and goals in every sphere of management, corporate disclosure, action plans and performance.

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

## CORPORATE RESPONSIBILITY (CR)

Being an EMS provider, upholding on our commitment towards CR practices is part and parcel of our initiative to sustain our long-term growth strategies going forward.

That said, we will continue to devote our utmost dedication towards ethical business practices and corporate social responsibility. The Group's Sustainability Policy contained in this Annual Report underlines the basic principles toward implementing our CR initiatives for greater good.

## ACKNOWLEDGEMENTS

I would like to express my sincerest gratitude to all employees and the management team of VS for having delivered exceptional results during the difficult economic conditions.

Finally, we would also like to extend our appreciation and thanks to our valued shareholders, customers, suppliers, and business associates for their continuous support towards our every endeavour.

**Datuk Beh Kim Ling**  
Chairman



# FACE-TO-FACE WITH THE MANAGEMENT

## WHAT WERE THE KEY MILESTONES ACHIEVED IN FY2013?

First off, we are pleased that VS retained our standing in the list of the world's top EMS providers, ranking a respectable 32nd place amidst top 50 players which include numerous names of international repute.

Much has been said about the economic doldrums that characterised most of FY2013, chiefly brought by the prolonged uncertainty in major global economies. Yet for the most part, we are heartened that VS did commendably by maintaining RM1.2 billion in group revenue in FY2013.

This performance – attained under strenuous circumstances – would not have been possible without VS' necessary capital expenditure investment into additional production capacity in Johor and Indonesia in prior years; which allowed us to support the expanded production requirements from our MNC clientele.

The year under review also saw VS acquiring an additional stake in our China-based operations of VSIG, effectively resulting in VSIG becoming a subsidiary of the Group from July 2013 onwards.

We opined that this was a necessary measure to more effectively pool resources and generate greater operational synergies across the Group's manufacturing facilities in the three countries.

## COULD YOU HIGHLIGHT SOME OF THE MAIN CHALLENGES FACED IN THE YEAR UNDER REVIEW?

One of the main issues faced by EMS providers such as VS was the dwindling end-user demand for consumer electronics, as end-users delayed purchases in view of the continued economic uncertainty. This led to a more competitive environment in the EMS sector as players sought to retain market share.

On top of that, VS – along with the entire manufacturing industry – was also impacted by higher labour costs in FY2013, primarily due to the enforcement of the minimum wage policy in Malaysia and Indonesia effective January 2013.

With a combined workforce more than 4,700 (as at 31 July 2013) in our manufacturing facilities in these two countries, the implementation of minimum wages had a major bearing on the Group's operating expenditure, which also influenced the Group's competitive position in the region.

In addition, prices of raw materials – especially resin – were under constant pressure, in view of overall increase in crude oil prices towards the second half of FY2013.

With the numerous challenges faced in terms of both internal and external forces, FY2013 was by no means a tough year for VS and the overall EMS sector.



---

---

“We are pleased to be the partner of choice for our recently-secured customers, evidenced through successful trial productions and being further entrusted with additional models in the pipeline.”

---

---

#### **ARE YOU UPBEAT ABOUT THE GROUP'S PROSPECTS IN THE YEAR AHEAD?**

In light of the relentless economic crisis plaguing major regions of the Eurozone and the United States, coupled with the possible continuation of the slowdown in China, the IMF anticipates for the global economy to remain in the doldrums in the near future. Its latest report expects an expansion of only 2.9% in 2013, before rising again to 3.6% in 2014.

Not surprisingly, the future performance of the EMS sector is expected to take its cue from the dismal global outlook, with end-user demand seeing limited upside opportunities.

It would be folly to think that the year ahead will be rosy, with the odds stacked against us. At present, VS is witnessing key shifts in customer strategies with regard to production requirements and specifications, which may dampen the outlook in the near future.

Nonetheless, just as we have endured the economic cycles over the past three decades, the management of VS remains steadfast in our commitment to help the Group weather the storm ahead of us.

In line with this, the Group fully intends to continuously expand our customer base, by seeking to grow our clientele in terms of quantity and quality.

To this end, we are pleased to be the partner of choice for our recently-secured customers, evidenced through successful trial productions which led to full-scale commercial production in FY2013, and being further entrusted with additional models in the pipeline. Clearly, we are proud to play a facilitating role in our customers' business expansion plans.

Furthermore, we will carry on with our constant engagement with key customers to develop innovative product designs and/or features to bring to the market. In doing so, we would effectively raise our profile from being a full-scale manufacturer to include innovative design capability; thus distinguishing VS from the mass EMS providers worldwide. We have witnessed steady progress in this aspect thus far, and hope to bring it to the next level in the near future.

We believe that these strategies will be pivotal to VS' pledge to strengthening our core competencies, so as to sustain the Group's performance in the coming years. We thank you in advance for your unwavering support and belief in the Group.

# FACE-TO-FACE WITH THE MANAGEMENT

CONT'D







# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty First Annual General Meeting (“31st 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 Thursday, 2 January 2014 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 2013 together with the Directors’ and Auditors’ reports thereon.

**(Please refer to  
Note No. 1)**

2. To approve the payment of Directors’ fees totalling RM412,000 for the financial year ended 31 July 2013.

**RESOLUTION 1**

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

- |                        |              |
|------------------------|--------------|
| (a) Datuk Beh Kim Ling | - Article 93 |
| (b) Mr Tang Sim Cheow  | - Article 93 |
| (c) Mr Ng Yong Kang    | - Article 93 |

**RESOLUTION 2  
RESOLUTION 3  
RESOLUTION 4**

4. To re-appoint the retiring Auditors, Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration.

**RESOLUTION 5**

# NOTICE OF ANNUAL GENERAL MEETING

CONT'D

## SPECIAL BUSINESS

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

### 5. 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 6

### 6. 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

# NOTICE OF ANNUAL GENERAL MEETING

CONT'D

- 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 7

### 7. 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 10 December 2013, 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;

# NOTICE OF ANNUAL GENERAL MEETING

CONT'D

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 8

### 8. 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 10 December 2013, 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 9

# NOTICE OF ANNUAL GENERAL MEETING

CONT'D

## 9. 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 10 December 2013, 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 10**

# NOTICE OF ANNUAL GENERAL MEETING

CONT'D

## 10. 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 10 December 2013, 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 11**



# NOTICE OF ANNUAL GENERAL MEETING

CONT'D

## 11. ORDINARY RESOLUTION

### **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with VS Marketing & Engineering Pte. Ltd. ("Proposed New Shareholders' Mandate for RRPTs with VS Marketing & Engineering 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 VS Marketing & Engineering Pte. Ltd. as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 10 December 2013, 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 VS Marketing & Engineering Pte. Ltd. during the period in which the Proposed New Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. is in force; and
- (iii) the Proposed New Shareholders' Mandate for RRPTs with VS Marketing & Engineering 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 12**

# NOTICE OF ANNUAL GENERAL MEETING

CONT'D

12. **ORDINARY RESOLUTION**

**Retention of Independent Director**

"That Dato' 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 13**

13. **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 14**

14. **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 15**

15. 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 31st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 23 December 2013. Only a depositor whose name appears on the Record of Depositors as at 23 December 2013 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

**CHANG TIAN KWANG**  
**ANG MUI KIW**  
Secretaries

Johor Bahru  
10 December 2013

# NOTICE OF ANNUAL GENERAL MEETING

CONT'D

## 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 31st AGM are stated in the Statement Accompanying the Notice of Thirty First Annual General Meeting set out on page 22 of the 2013 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. 6, 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. 6 above is a renewal of an existing mandate. There was no issuance of shares and thus no proceed being raised since the last renewal was sought.

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. 7, 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 10 December 2013 accompanying the Company's 2013 Annual Report.

# NOTICE OF ANNUAL GENERAL MEETING

CONT'D

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

The proposed Resolutions No. 8 to 12, 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 10 December 2013. 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 New Shareholders' Mandate and Renewal of Shareholders' Mandate for RRPTs, please refer to the Circular to Shareholders dated 10 December 2013 which was circulated together with the 2013 Annual Report.

**iv. Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance 2012 (Resolution 13, Resolution 14 and Resolution 15)**

**(a) Dato' Sri Mohd Nadzmi Bin Mohd Salleh**

Dato' 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 31st AGM, he has served the Company for 17 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 31st AGM, he has served the Company for 12 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 31st AGM, he has served the Company for 9 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 FIRST 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) | Datuk Beh Kim Ling | - Article 93 |
| (b) | Mr Tang Sim Cheow  | - Article 93 |
| (c) | Mr Ng Yong Kang    | - Article 93 |

**RESOLUTION 2**

**RESOLUTION 3**

**RESOLUTION 4**

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 23 to page 25 and page 136 of the Annual Report respectively.



# DIRECTORS' PROFILE

## **Datuk Beh Kim Ling** Executive Chairman

Datuk Beh Kim Ling, aged 55, 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 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 57, 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 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.

# DIRECTORS' PROFILE

CONT'D

## **Dato' Sri Mohd Nadzmi bin Mohd Salleh** **Senior Independent Non-Executive Director**

Dato' Sri Nadzmi, aged 59, 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.

Dato' Sri 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., Nadi Corp Holdings Sdn. Bhd. and Trisilco Folec Sdn. Bhd. He is also Chairman of J.T. International Berhad and Chairman/Managing Director of Konsortium Transnasional Berhad, and Transocean Holdings Berhad. Dato' Sri 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. Dato' Sri 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 59, 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 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.

## **Gan Tiong Sia** **Executive Director**

Gan Tiong Sia, aged 53, 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. Mr. Gan is the brother to Datin Gan Chu Cheng and Datuk Gan Sem Yam and brother-in-law to Datuk Beh Kim Ling. Mr. 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 52, a Malaysian, joined the Board on 1 August 2005.

He comes with extensive engineering and operation 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 50, 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 54, 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.

**Chang Tian Kwang**  
**Alternate Director to Datin Gan Chu Cheng**

Chang Tian Kwang, aged 48, a Malaysian, was appointed to the Board on 1 November 2000.

Mr. Chang graduated from University of Malaya with a Bachelor of Accountancy (Honours) Degree in 1990. He is a Chartered Accountant registered with the Malaysian Institute of Accountants and has a Master in Business Administration from the Preston University, USA in February 2008.

He started his career in 1990 with Deloitte KassimChan followed by KPMG from 1991 to 1994. He joined the Group as an Accountant in 1994 and is currently the Group Financial Controller.

Mr. Chang also sits on the board of several subsidiary companies of the Company. He 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 RESPONSIBILITIES**

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 has formally adopted a Board Charter in November 2013 that 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](http://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.

# CORPORATE GOVERNANCE STATEMENT

CONT'D

## 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 ( <i>Independent Non-Executive Director</i> ) |
| Members  | – Pan Swee Keat ( <i>Independent Non-Executive Director</i> )  |
|          | – Datuk Gan Sem Yam ( <i>Managing Director</i> )               |

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 ( <i>Independent Non-Executive Director</i> )  |
| Members  | – Tang Sim Cheow ( <i>Independent Non-Executive Director</i> ) |
|          | – Datuk Gan Sem Yam ( <i>Managing Director</i> )               |

# CORPORATE GOVERNANCE STATEMENT

CONT'D

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 2013 are as follows:

	Executive Directors	Non-Executive Directors	Total
	RM'000	RM'000	RM'000
Basic Salary	7,016	-	7,016
Bonus	1,703	-	1,703
Performance Incentive (inclusive EPF)	1,750	-	1,750
Allowance	662	-	662
EPF	948	-	948
Socso	3	-	3
Benefits-in-kind	132	-	132
Fees	120	305	425
	<b>12,334</b>	<b>305</b>	<b>12,639</b>

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

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM 50,001 to RM 100,000	-	2
RM 100,001 to RM 150,000	-	1
RM1,150,001 to RM1,200,000	1	-
RM1,350,001 to RM1,400,000	1	-
RM2,000,001 to RM2,050,000	1	-
RM2,300,001 to RM2,350,000	1	-
RM2,400,001 to RM2,450,000	1	-
RM3,000,001 to RM3,050,000	1	-
	<b>6</b>	<b>3</b>

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

# CORPORATE GOVERNANCE STATEMENT

CONT'D

## 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 2013, 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.

# CORPORATE GOVERNANCE STATEMENT

CONT'D

During the financial year ended 31 July 2013, 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
Gan Tiong Sia	4/4
Ng Yong Kang	4/4
Dato' Sri Mohd Nadzmi bin Mohd Salleh	2/4
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	Disclosure obligations of listed companies in relation to inside information and information necessary to avoid a false market
Datuk Gan Sem Yam	Disclosure obligations of listed companies in relation to inside information and information necessary to avoid a false market
Datin Gan Chu Cheng	Disclosure obligations of listed companies in relation to inside information and information necessary to avoid a false market
Gan Tiong Sia	Advocacy Sessions On Corporate Disclosure for Directors
Ng Yong Kang	Corporate Life Cycle of a Business and Can a CEO be a peer advisor
Dato' Sri Mohd Nadzmi Bin Mohd Salleh	Business Sustainability
Tang Sim Cheow	<ul style="list-style-type: none"> <li>2013 Budget Seminar-Highlights and Implications</li> <li>The Audit Committee's Oversight Role on Financial Reporting</li> <li>Tax Planning and Issues for Property Developers and Property Investors</li> </ul>
Pan Swee Keat	Latest Development in Malaysian Financial Reporting Standards (MFRS)/IFRS and IC - An Overview



# CORPORATE GOVERNANCE STATEMENT

CONT'D

Name of Director	Topic of seminar/briefing
Chang Tian Kwang	<ul style="list-style-type: none"> <li>• KPMG Malaysian Tax Summit 2012</li> <li>• Global Economic Updates</li> <li>• Economic and Market Update</li> <li>• Economic Update</li> <li>• MFRS Update 2012/2013</li> <li>• Global Markets in a Low Interest Rate Environment</li> <li>• Advocacy Sessions on Corporate Disclosure for Directors</li> <li>• Economic Seminar 2013</li> </ul>

## 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 2013. 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. There is no significant non-audit services provided by the external auditors except for non-audit fee of RM9,000 payable in respect of review of Statement on Risk Management and Internal Control and Statement of Realized and Unrealized Profits.

## 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.

# CORPORATE GOVERNANCE STATEMENT

CONT'D

## **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](http://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](http://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 Dato' 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.

# CORPORATE GOVERNANCE STATEMENT

CONT'D

## 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 2013 or entered into since the end of the previous financial year.

### (ii) Non-Audit Fees

During the financial year ended 31 July 2013, 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 2013 are as follows:

Month	No. of shares repurchased	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration (RM)
September 2012	10,000	1.52	1.52	1.52	15,312
March 2013	5,000	1.39	1.39	1.39	7,001
Total	15,000				22,313

At the end of the financial year, a total of 1,119,336 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	4,500	21,678	26,178
Total options exercised/lapsed	(880)	(6,395)	(7,275)
Total options outstanding	3,620	15,283	18,903

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, 24.45% of the options granted under the scheme have been granted to Directors and senior management.

No options were granted or exercised during the financial year.

# CORPORATE GOVERNANCE STATEMENT

CONT'D

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

At the Annual General Meeting held on 3 January 2013, 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 29 November 2012.

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 2013 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 Datuk Gan Sem Yam	Datuk Gan Sem Yam	Rental of one (1) unit of condominium to VSI as hostel	31
VSI and Beh Chu Hiok	Datuk Beh Kim Ling Datin Gan Chu Cheng Datuk Gan Sem Yam Gan Tiong Sia	Rental of one (1) unit of single storey terrace house to VSI as hostel	5
VSI and Gan Siew Tang	Datuk Beh Kim Ling Datin Gan Chu Cheng Datuk Gan Sem Yam 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 Gan Tiong Sia	Purchases of tooling, bins, resins, plastic component parts and equipments	2,382
VSI Group and Lip Sheng International Ltd / Lip Sheng Precision (Zhuhai) Co., Ltd	Datuk Beh Kim Ling Datin Gan Chu Cheng Datuk Gan Sem Yam Gan Tiong Sia	Purchases of tooling, sales related to tooling fabrication	1,777
VSI Group and Firstclass Returns Sdn Bhd	Datuk Beh Kim Ling Datuk Gan Sem Yam	Sales commission income	1,417
VSI Group and Firstclass Returns Sdn Bhd	Datuk Beh Kim Ling Datuk Gan Sem Yam	Rental of factory premises	233
VSI Group and Inabata Group	Inabata & Co., Ltd	Purchases of resins and equipments	4,719

### 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 6 consecutive years from 2007 to 2012.
- 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 ( <i>Independent Non-Executive Director</i> )                               |
| Members  | – Pan Swee Keat ( <i>Independent Non-Executive Director</i> )                                |
|          | – Dato' Sri Mohd Nadzmi bin Mohd Salleh ( <i>Senior Independent Non-Executive Director</i> ) |

## Meetings

During the financial year ended 31 July 2013, 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
Dato' Sri Mohd Nadzmi bin Mohd Salleh	2/4

## Summary of activities

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

- Reviewed the quarterly unaudited financial results and announcement prior to recommending the same for the Board's approval.
- Reviewed the external auditors' scope of work and audit plan for the financial year 2013.
- Reviewed with the external auditors the results of the audit, the audit report and the management letter.
- Reviewed the internal audit planning and internal audit reports.
- Reviewed the related party transactions entered into by the Group.

## 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 RM606,000.

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.

# AUDIT COMMITTEE REPORT

CONT'D

- 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.
- d) 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);
- e) To review the external auditors' management letter and management's response;
- f) 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.
- g) 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 maintaining an effective and sound system of internal control throughout the Group and for reviewing its adequacy and integrity in order to safeguard the Group's assets and shareholders' investment.

The review of the effectiveness of the system of internal control is a continuous process designed to monitor and mitigate the effects rather than to eliminate risks of failure to achieve business objectives due to the inherent limitations in any system of internal control. Therefore, the system can only provide a reasonable and not absolute degree of assurance that assets are safeguarded against material misstatement, fraud or losses.

## RISK MANAGEMENT FRAMEWORK

The Board confirms that there is an on-going process of identifying; assessing and responding to risks to achieve the organization's objectives of the Group for the financial year under review, and the Board reviews the process annually.

As part of the Risk Management framework, a Risk Management Committee ("RMC") is in place to identify risks and to ensure that adequate control system are implemented to mitigate significant risks faced by the Group excluding associates and a newly acquired subsidiary near the end of the financial year.

The on-going risk management process is coordinated by Internal Audit Department in conjunction with the key management staff in each operating unit.

## INTERNAL AUDIT DEPARTMENT

The Internal Audit Department reviews the internal controls of the Group operations and activities based on the annual internal audit plan approved by the Audit Committee. Reviews on the procedures and control processes implemented by management are reported to the Audit Committee on a quarterly basis.

The principal responsibility of the Internal Audit Department is to undertake reviews of the systems of internal control so as to provide reasonable assurance that such system operates satisfactorily and effectively in the Company and the Group.

The internal control of the newly acquired subsidiary was not reviewed by the internal audit department within the financial year taking into consideration that the acquisition took place near the end of the financial year.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## CONT'D

The scope of the internal audit encompasses the following:

- Update of the mapping of the current state of procedures and processes;
- Identifying potential areas that lack control and efficiency from the process maps;
- Testing identified risk areas;
- Evaluating other areas and matters pertinent to the company for compliance;
- Holding meetings with management to agree on audit findings;
- Reporting of irregularities to management and Audit Committee and provide recommendations in managing risks identified; and
- Establishing a feedback mechanism for all staff to provide feedback in managing risks

The Board through the Audit Committee reviews the adequacy and integrity of the systems of internal control on a regular basis.

### **OTHER RISKS AND CONTROL PROCESSES**

The Managing Director reports to the Board on significant changes in business and external environment that affects significant risks. The Financial Controller provides the Board with quarterly financial reports which includes key financial information of major subsidiaries.

The Board continues to take measures to strengthen the control environment and during the current financial year, there were no material losses reported caused by weaknesses in the Group's systems of internal control.

### **ASSURANCE FROM MANAGEMENT**

The Board has 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.

# FINANCIAL CONTENTS

Directors' Report	42
Statement by Directors	49
Statutory Declaration	49
Independent Auditors' Report	50
Statements of Financial Position	52
Statements of Profit or Loss and Other Comprehensive Income	53
Consolidated Statement of Changes in Equity	55
Statements of Cash Flows	61
Notes to the Financial Statements	63

# DIRECTORS' REPORT

For the year ended 31 July 2013

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 2013.

## 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 (including the subsidiary acquired during the year) are disclosed in Note 6 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	43,910	5,750
Non-controlling interests	(3,943)	--
	<u>39,967</u>	<u>5,750</u>

## 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 fourth interim single tier dividend of 6 sen per ordinary share of RM1.00 each totalling RM10,872,742 in respect of the year ended 31 July 2012 on 25 October 2012;
- ii) paid a first interim single tier dividend of 2 sen per ordinary share of RM1.00 each totalling RM3,624,247 in respect of the year ended 31 July 2013 on 31 January 2013; and
- iii) declared 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 27 September 2013. This dividend was paid on 30 October 2013.

The Directors do not recommend the payment of any final dividend in respect of the current financial year.



# DIRECTORS' REPORT (CONT'D)

For the year ended 31 July 2013

## DIRECTORS OF THE COMPANY

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

### Directors

Datuk Beh Kim Ling  
Datin Gan Chu Cheng  
Datuk Gan Sem Yam  
Mr. Gan Tiong Sia  
Dato' Sri Mohd Nadzmi bin Mohd Salleh  
Mr. Pan Swee Keat  
Mr. Tang Sim Cheow  
Mr. Ng Yong Kang

### Alternate

Mr. Chang Tian Kwang

## 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:

Name of Directors	Interest	Number of ordinary shares ('000)			
		At 1 August 2012	Bought	Sold	
At 31 July 2013					
Company					
Ordinary shares of RM1.00 each					
Datuk Beh Kim Ling	Direct	31,606	--	--	31,606
	Deemed	24,529	1,467	--	25,996
Datin Gan Chu Cheng	Direct	24,380	--	--	24,380
	Deemed	31,755	1,467	--	33,222
Datuk Gan Sem Yam	Direct	13,054	3,225	--	16,279
	Deemed	525	--	--	525
Mr. Gan Tiong Sia	Direct	4,890	--	--	4,890
	Deemed	21	--	--	21
Mr. Ng Yong Kang	Direct	167	--	--	167
Mr. Pan Swee Keat	Direct	20	--	--	20
Mr. Tang Sim Cheow	Direct	20	--	(20)	--
Mr. Chang Tian Kwang	Direct	140	--	(140)	--

### Subsidiaries

#### - VVS Co., Ltd. Ordinary shares of HKD1.00 each

Datuk Beh Kim Ling	Direct	3	--	(3)	--
	Deemed	90	--	(90)	--
Datin Gan Chu Cheng	Direct	3	--	(3)	--
	Deemed	90	--	(90)	--
Datuk Gan Sem Yam	Direct	3	--	(3)	--
Mr. Gan Tiong Sia	Direct	3	--	(3)	--

# DIRECTORS' REPORT (CONT'D)

For the year ended 31 July 2013

Name of Directors	Interest	Number of ordinary shares ('000)			
		At 1 August 2012	Bought/ ESOS exercised	Sold	At 31 July 2013
Subsidiaries					
- <i>V.S. Ashin Technology Sdn. Bhd.</i> <i>Ordinary shares of RM1.00 each</i>					
Datuk Beh Kim Ling	Deemed	4,480	--	--	4,480
Datin Gan Chu Cheng	Direct	672	--	--	672
	Deemed	3,808	--	--	3,808
Datuk Gan Sem Yam	Direct	747	--	--	747
- <i>V.S. Plus Sdn. Bhd.</i> <i>Ordinary shares of RM1.00 each</i>					
Datuk Beh Kim Ling	Deemed	49,625	--	--	49,625
Datin Gan Chu Cheng	Deemed	49,625	--	--	49,625
- <i>VS Marketing &amp; Engineering Pte. Ltd.</i> <i>Ordinary shares</i>					
Datuk Beh Kim Ling	Deemed	102	459	--	561
Datin Gan Chu Cheng	Deemed	102	459	--	561
Datuk Gan Sem Yam	Deemed	--	264	--	264
Mr. Gan Tiong Sia	Deemed	--	110	--	110
- <i>V.S. International Group Limited</i> <i>Ordinary shares of HKD0.05 each</i>					
Datuk Beh Kim Ling	Direct	52,268	9,161	--	61,429
	Deemed	566,944	234,051	--	800,995
Datin Gan Chu Cheng	Direct	69,228	9,161	--	78,389
	Deemed	549,984	234,051	--	784,035
Datuk Gan Sem Yam	Direct	23,530	9,161	--	32,691
Mr. Gan Tiong Sia	Direct	29,638	4,474	--	34,112
Mr. Tang Sim Cheow	Direct	--	639	--	639
Number of warrants ('000)					
		At 1 August 2012	Granted	Exercised	At 31 July 2013
- <i>V.S. International Group Limited</i>					
Datuk Beh Kim Ling	Direct	6,533	--	--	6,533
	Deemed	81,973	14,622	--	96,595
Datin Gan Chu Cheng	Direct	19,113	--	--	19,113
	Deemed	69,393	14,622	--	84,015
Datuk Gan Sem Yam	Direct	3,046	--	--	3,046
Mr. Gan Tiong Sia	Direct	2,103	--	--	2,103

# DIRECTORS' REPORT (CONT'D)

For the year ended 31 July 2013

Name of Directors	Interest	At 1 August 2012	Number of ordinary shares		At 31 July 2013
			Bought	Sold	
Subsidiaries					
- <i>V.S. Corporation (Hong Kong) Co., Limited</i> <i>Non-voting deferred share of HKD1.00 each</i>					
Datuk Beh Kim Ling	Direct	3,750,000	--	--	3,750,000
	Deemed	3,750,000	--	--	3,750,000
Datin Gan Chu Cheng	Direct	3,750,000	--	--	3,750,000
	Deemed	3,750,000	--	--	3,750,000
Datuk Gan Sem Yam	Direct	3,750,000	--	--	3,750,000
Mr. Gan Tiong Sia	Direct	3,750,000	--	--	3,750,000
- <i>V.S. Investment Holdings Limited</i> <i>Ordinary shares of HKD1.00 each</i>					
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

Name of Directors	At 1 August 2012	Number of options ('000) over ordinary shares of the Company of RM1.00 each		At 31 July 2013
		Granted and accepted	Exercised	
Datuk Beh Kim Ling	560	--	--	560
Datin Gan Chu Cheng	560	--	--	560
Datuk Gan Sem Yam	560	--	--	560
Mr. Gan Tiong Sia	560	--	--	560
Dato' Sri Mohd Nadzmi bin Mohd Salleh	100	--	--	100
Mr. Pan Swee Keat	80	--	--	80
Mr. Tang Sim Cheow	80	--	--	80
Mr. Ng Yong Kang	560	--	--	560
Mr. Chang Tian Kwang	560	--	--	560

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 6 to the financial statements.

# DIRECTORS' REPORT (CONT'D)

For the year ended 31 July 2013

## 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

At the Annual General Meeting held on 3 January 2013, 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 15,000 of its issued ordinary shares. The average repurchase price was RM1.49. 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.

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.

# DIRECTORS' REPORT (CONT'D)

For the year ended 31 July 2013

## OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

- 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 options 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) Options 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:

Date of offer	Exercise price	Number of options over ordinary shares of RM1.00 each ('000)				At 31 July 2013
		At 1 August 2012	Granted	Exercised	Forfeited	
19 November 2010	RM1.54	19,631	-	-	(728)	18,903

## 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.

# **DIRECTORS' REPORT** (CONT'D)

For the year ended 31 July 2013

## **OTHER STATUTORY INFORMATION (CONT'D)**

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, except for the effects of acquisition of a subsidiary as disclosed in Note 23 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 July 2013 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**

**Gan Tiong Sia**

Johor Bahru

25 November 2013



# 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 52 to 130 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 2013 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 32 on page 131 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**

**Gan Tiong Sia**

Johor Bahru

25 November 2013

# 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 52 to 131 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 25 November 2013.

**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 2013 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 52 to 130.

### *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 2013 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 6 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.

# INDEPENDENT AUDITORS' REPORT (CONT'D)

to the members of V. S. Industry Berhad

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D)

- (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 32 on page 131 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

As stated in Note 1(a) to the financial statements, the Company adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 August 2012 with a transition date of 1 August 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 July 2012 and 1 August 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 July 2012 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 July 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 August 2012 do not contain misstatements that materially affect the financial position as of 31 July 2013 and financial performance and cash flows for the year then ended.

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

Johor Bahru

25 November 2013

### Tan Teck Eng

Approval Number: 2986/05/14 (J)  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

As at 31 July 2013

	Note	31.7.2013 RM'000	Group 31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	Company 31.7.2012 RM'000	1.8.2011 RM'000
<b>Assets</b>							
Property, plant and equipment	3	615,166	273,438	263,434	108,722	101,798	103,999
Prepaid lease payments	4	89,012	547	571	--	--	--
Investment properties	5	3,600	9,835	9,847	--	7,000	7,000
Investments in subsidiaries	6	--	--	--	188,107	128,535	114,455
Investments in associates	7	9,021	86,337	91,977	--	25,265	25,265
Deferred tax assets	8	1,190	--	1,176	--	--	--
<b>Total non-current assets</b>		<b>717,989</b>	<b>370,157</b>	<b>367,005</b>	<b>296,829</b>	<b>262,598</b>	<b>250,719</b>
Inventories	9	177,760	104,577	87,227	29,162	42,952	39,320
Trade and other receivables	10	410,526	317,572	203,250	171,973	240,441	144,710
Tax recoverable		880	--	--	606	--	--
Cash and cash equivalents	11	97,288	58,680	71,853	10,294	9,036	43,444
		<b>686,454</b>	<b>480,829</b>	<b>362,330</b>	<b>212,035</b>	<b>292,429</b>	<b>227,474</b>
Assets classified as held for sale	12	--	--	42,831	--	--	--
<b>Total current assets</b>		<b>686,454</b>	<b>480,829</b>	<b>405,161</b>	<b>212,035</b>	<b>292,429</b>	<b>227,474</b>
<b>Total assets</b>		<b>1,404,443</b>	<b>850,986</b>	<b>772,166</b>	<b>508,864</b>	<b>555,027</b>	<b>478,193</b>
<b>Equity</b>							
Share capital	13	182,327	182,327	182,327	182,327	182,327	182,327
Reserves	13	297,319	228,164	211,282	101,950	99,983	79,204
<b>Total equity attributable to owners of the Company</b>		<b>479,646</b>	<b>410,491</b>	<b>393,609</b>	<b>284,277</b>	<b>282,310</b>	<b>261,531</b>
<b>Non-controlling interests</b>		<b>117,224</b>	<b>430</b>	<b>13,612</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total equity</b>		<b>596,870</b>	<b>410,921</b>	<b>407,221</b>	<b>284,277</b>	<b>282,310</b>	<b>261,531</b>
<b>Liabilities</b>							
Long term payables	14	4,322	4,322	4,322	--	--	--
Loans and borrowings	15	150,590	34,592	29,509	17,064	2,706	6,854
Deferred tax liabilities	8	60,768	24,046	22,989	12,643	12,334	12,639
<b>Total non-current liabilities</b>		<b>215,680</b>	<b>62,960</b>	<b>56,820</b>	<b>29,707</b>	<b>15,040</b>	<b>19,493</b>
Trade and other payables	16	375,276	272,544	181,780	139,006	210,584	124,329
Loans and borrowings	15	211,167	103,416	105,320	55,874	45,787	69,892
Taxation		5,450	1,145	3,769	--	1,306	2,948
		<b>591,893</b>	<b>377,105</b>	<b>290,869</b>	<b>194,880</b>	<b>257,677</b>	<b>197,169</b>
Liabilities classified as held for sale	12	--	--	17,256	--	--	--
<b>Total current liabilities</b>		<b>591,893</b>	<b>377,105</b>	<b>308,125</b>	<b>194,880</b>	<b>257,677</b>	<b>197,169</b>
<b>Total liabilities</b>		<b>807,573</b>	<b>440,065</b>	<b>364,945</b>	<b>224,587</b>	<b>272,717</b>	<b>216,662</b>
<b>Total equity and liabilities</b>		<b>1,404,443</b>	<b>850,986</b>	<b>772,166</b>	<b>508,864</b>	<b>555,027</b>	<b>478,193</b>

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 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Continuing operations</b>					
Revenue					
Goods sold		1,163,911	1,201,992	737,034	867,087
Cost of goods sold		(1,057,756)	(1,055,020)	(683,100)	(774,240)
<b>Gross profit</b>		106,155	146,972	53,934	92,847
Other income		6,605	3,612	3,707	15,951
Effect of acquisition of a subsidiary	23	28,454	--	--	--
Distribution expenses		(18,897)	(24,607)	(14,094)	(20,412)
Administrative expenses		(53,699)	(55,617)	(30,795)	(32,719)
Other expenses		(9,272)	(3,572)	(2,526)	(2,622)
<b>Results from operating activities</b>		59,346	66,788	10,226	53,045
Interest income		929	942	227	385
Finance costs	17	(5,668)	(5,859)	(1,820)	(2,958)
<b>Net finance costs</b>		(4,739)	(4,917)	(1,593)	(2,573)
<b>Operating profit</b>	18	54,607	61,871	8,633	50,472
Share of loss of equity accounted associate, net of tax		(5,160)	(13,080)	--	--
<b>Profit before tax</b>		49,447	48,791	8,633	50,472
Tax expense	19	(9,480)	(16,478)	(2,883)	(9,769)
<b>Profit from continuing operations</b>		39,967	32,313	5,750	40,703
<b>Discontinued operation</b>					
Profit from discontinued operation, net of tax	12	--	3,335	--	--
<b>Profit for the year</b>		39,967	35,648	5,750	40,703

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

for the year ended 31 July 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Other comprehensive income/ (expense), net of tax</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Surplus on revaluation of properties, net of deferred tax		35,747	--	9,869	--
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		6,674	(809)	--	--
Other comprehensive income/ (expense) for the year		42,421	(809)	9,869	--
Total comprehensive income for the year		82,388	34,839	15,619	40,703
<b>Profit attributable to:</b>					
Owners of the Company		43,910	37,390	5,750	40,703
Non-controlling interests		(3,943)	(1,742)	--	--
<b>Profit for the year</b>		39,967	35,648	5,750	40,703
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		84,437	36,557	15,619	40,703
Non-controlling interests		(2,049)	(1,718)	--	--
<b>Total comprehensive income for the year</b>		82,388	34,839	15,619	40,703
Basic earnings per ordinary share (sen)	20				
- from continuing operations		24.23	18.78		
- from discontinued operation		--	1.84		
		24.23	20.62		
Diluted earnings per ordinary share (sen)	20				
- from continuing operations		--	--		
- from discontinued operation		--	--		
		--	--		

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2013

	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
<b>Group</b>											
<b>At 1 August 2011</b>	182,327	2,381	47,518	--	9,121	3,588	(985)	149,659	393,609	13,612	407,221
Foreign currency translation differences for foreign operations	--	--	--	(833)	--	--	--	--	(833)	24	(809)
<b>Total other comprehensive (expense)/income for the year</b>	--	--	--	--	--	--	--	37,390	37,390	(1,742)	35,648
Profit for the year	--	--	--	--	--	--	--	37,390	36,557	(1,718)	34,839
<b>Total comprehensive (expense)/ income for the year</b>	--	--	--	(833)	--	--	--	37,390	36,557	(1,718)	34,839

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <sup>(CONT'D)</sup>

for the year ended 31 July 2013



Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Non-distributable			Distributable			Non-controlling interests RM'000	Total equity 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		
	--	--	--	--	--	--	(514)	--	(514)	--	(514)
13	--	--	--	--	--	2,243	--	--	2,243	83	2,326
	--	--	--	--	--	351	--	--	351	--	351
	--	--	--	--	--	(279)	--	279	--	--	--
21	--	--	--	--	--	--	--	(21,755)	(21,755)	--	(21,755)
12	--	--	--	--	--	--	--	--	--	(11,547)	(11,547)
	--	--	--	--	--	2,315	(514)	(21,476)	(19,675)	(11,464)	(31,139)
<b>Total transactions with owners of the Group</b>	--	--	--	--	275	--	--	(275)	--	--	--
Realisation of revaluation reserve	--	--	(890)	--	--	--	--	890	--	--	--
<b>At 31 July 2012</b>	182,327	2,381	46,628	(833)	9,396	5,903	(1,499)	166,188	410,491	430	410,921

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <sup>(CONT'D)</sup>

for the year ended 31 July 2013

	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
<b>Group</b>											
<b>At 1 August 2012</b>	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
<b>Total comprehensive income/ (expense) for the year</b>	--	--	35,589	4,938	--	--	--	43,910	84,437	(2,049)	82,388

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <sup>(CONT'D)</sup>

for the year ended 31 July 2013

← 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
<i>Contributions by and distributions to owners of the Company</i>												
Shares buy back Equity settled share based transaction	13	--	--	--	--	--	--	(23)	--	(23)	--	(23)
- Share option granted		--	--	--	--	--	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)
Dilution arising from new issues of shares in a subsidiary		--	--	--	--	--	858	(23)	(14,485)	(13,650)	49	(13,601)
Acquisition of a subsidiary	23	--	--	--	--	--	--	--	(1,632)	(1,632)	4,570	2,938
Increase in share capital in a subsidiary		--	--	--	--	--	--	--	--	--	113,116	113,116
<b>Total transactions with owners of the Group</b>		--	--	--	--	--	--	--	--	--	1,108	1,108
Deemed disposal of an associate		--	--	--	--	--	858	(23)	(16,117)	(15,282)	118,843	103,561
Transferred from retained earnings		--	--	(20,499)	--	(9,396)	(881)	--	30,776	--	--	--
Realisation of revaluation reserve		--	--	--	--	142	--	--	(142)	--	--	--
<b>At 31 July 2013</b>		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.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <sup>(CONT'D)</sup>

for the year ended 31 July 2013

		Attributable to owners of the Company			Distributable		
		Non-distributable			Distributable		
		Employee Share					
Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	-based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Company							
At 1 August 2011	182,327	2,381	16,440	2,914	(985)	58,454	261,531
Profit and total comprehensive income for the year	--	--	--	--	--	40,703	40,703
Contributions by and distributions to owners of the Company							
Shares buy back	--	--	--	--	(514)	--	(514)
Equity settled share-based transaction	--	--	--	2,345	--	--	2,345
- Share option granted	--	--	--	--	--	(21,755)	(21,755)
Dividends to owners of the Company	--	--	--	--	--	--	--
Total transactions with owners of the Company	--	--	--	2,345	(514)	(21,755)	(19,924)
Realisation of revaluation reserve	--	--	(375)	--	--	375	--
At 31 July 2012	182,327	2,381	16,065	5,259	(1,499)	77,777	282,310

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

for the year ended 31 July 2013

		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
<b>Company</b>							
<b>At 1 August 2012</b>	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	--	--	9,869	--	--	5,750	5,750
<b>Total comprehensive income for the year</b>	--	--	9,869	--	--	5,750	15,619
<i>Contributions by and distributions to owners of the Company</i>							
Shares buy back	--	--	--	--	(23)	--	(23)
Equity settled share-based transaction	--	--	--	868	--	--	868
- Share option granted	--	--	--	--	--	(14,497)	(14,497)
Dividends to owners of the Company	--	--	--	--	--	--	--
<b>Total transactions with owners of the Company</b>	--	--	--	868	(23)	(14,497)	(13,652)
Realisation of revaluation reserve	--	--	(375)	--	--	375	--
<b>At 31 July 2013</b>	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.

# STATEMENTS OF CASH FLOWS

for the year ended 31 July 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax:					
- continuing operations		49,447	48,791	8,633	50,472
- discontinued operation	12	--	(612)	--	--
		49,447	48,179	8,633	50,472
Adjustments for:-					
Depreciation	3	32,658	28,475	10,113	9,582
Interest expense	17	5,219	5,557	1,769	2,890
Share of loss in associates		5,160	13,080	--	--
Amortisation of prepaid lease payments		23	--	--	--
Equity settled share-based transactions		870	2,340	464	1,481
Impairment loss/(Reversal of impairment loss) on receivables		480	(172)	--	--
Interest income		(929)	(942)	(227)	(385)
Property, plant and equipment:					
- Written off		19	92	19	4
- Gain on disposal		(413)	(351)	(404)	(256)
Gain on disposal of investment property		(1,860)	--	(1,860)	--
Impairment loss/(Reversal of impairment loss) on investments in subsidiaries		--	--	1,415	(6,841)
Unrealised (gain)/loss on foreign exchange		(41)	(696)	516	(594)
Effect of acquisition of a subsidiary	23	(30,413)	--	--	--
Loss on dilution of interest in an associate	23	5,878	--	--	--
Changes in fair value of investment property		(765)	12	--	--
<b>Operating profit before changes in working capital</b>		65,333	95,574	20,438	56,353
Changes in inventories		(21,702)	(17,360)	13,790	(3,632)
Changes in trade and other receivables		31,050	(115,882)	66,983	(110,390)
Changes in trade and other payables		(47,803)	87,731	(69,461)	84,401
<b>Cash generated from operations</b>		26,878	50,063	31,750	26,732
Interest received		929	917	227	360
Tax paid		(8,141)	(16,869)	(5,646)	(11,716)
<b>Net cash from operating activities</b>		19,666	34,111	26,331	15,376

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

# STATEMENTS OF CASH FLOWS (CONT'D)

for the year ended 31 July 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Cash flows from investing activities</b>					
Acquisition of:					
- property, plant and equipment	22	(31,394)	(40,360)	(7,564)	(6,375)
- prepaid lease payment		(8,245)	--	--	--
- subsidiaries	23	16,217	--	(34,181)	--
Additional investments in subsidiaries		--	--	(1,136)	(6,375)
Proceeds from disposal of:					
- property, plant and equipment		1,814	3,103	914	1,550
- a subsidiary	12	--	12,551	--	--
- investment properties		8,860	--	8,860	--
Interest received		--	25	--	25
Loans to subsidiaries		--	--	(122)	12,902
Repayment of loan to associates		--	1,899	--	1,899
Increase in pledged deposit placed with licensed banks		(9,416)	--	--	--
<b>Net cash (used in)/from investing activities</b>		(22,164)	(22,782)	(33,229)	3,626
<b>Cash flows from financing activities</b>					
Proceeds from long term borrowings		39,714	11,138	20,000	--
Repayment of long term borrowings		(9,621)	(10,213)	(3,784)	(9,044)
Payments of finance lease liabilities		(1,157)	(1,927)	(43)	(216)
Net drawdown from short term borrowings		(634)	4,089	8,272	(18,991)
Interest paid		(5,219)	(5,557)	(1,769)	(2,890)
Repurchase of treasury shares		(23)	(514)	(23)	(514)
Funds from non-controlling interests		4,046	--	--	--
Dividend paid to owners of the Company		(14,497)	(21,755)	(14,497)	(21,755)
<b>Net cash from/(used in) financing activities</b>		12,609	(24,739)	8,156	(53,410)
Exchange differences on translation of the financial statements of foreign operations		9,904	(833)	--	--
<b>Net increase/(decrease) in cash and cash equivalents</b>		20,015	(14,243)	1,258	(34,408)
<b>Cash and cash equivalents at 1 August</b>		56,978	71,287	9,036	43,444
Foreign exchange differences on opening balance		850	(66)	--	--
<b>Cash and cash equivalents at 31 July</b>		77,843	56,978	10,294	9,036

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

Cash and bank balances	75,872	38,142	10,125	8,873
Deposits with licensed banks	12,000	20,538	169	163
Bank overdrafts	(10,029)	(1,702)	--	--
	77,843	56,978	10,294	9,036

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



# NOTES TO 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 2013 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 2013 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 (including the subsidiary acquired during the year) are disclosed in Note 6.

These financial statements were authorised for issue by the Board of Directors on 25 November 2013.

## **1. BASIS OF PREPARATION**

### **(a) Statement of compliance**

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRS and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards (FRS). The financial impacts of transition to MFRS are disclosed in Note 31.

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 2013***

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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 January 2013 (cont'd)***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009- 2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

#### ***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, *Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015***

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- 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.

### (b) Basis of measurement

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

### (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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 1. BASIS OF PREPARATION (CONT'D)

### (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(d) - valuation of property
- Note 2(g)(iii) - valuation of investment properties
- 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 the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and the Company at 1 August 2011 (the transition date to MFRS framework), unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including unincorporated 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. Control exists when the Company 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. In assessing control, potential voting rights that presently are exercisable are taken into account.

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.

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 negative goodwill is recognised immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of consolidation (cont'd)

#### (ii) Business combinations (cont'd)

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 on control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the 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 previous 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.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. 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 equity accounted 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, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

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.

Investments in associates 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 the investment includes transaction costs.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of consolidation (cont'd)

#### (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 investees 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.

### (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 profit or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Foreign currency (cont'd)

#### (ii) Operations denominated in functional currencies other than Ringgit Malaysia (cont'd)

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, 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.

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Financial instruments (cont'd)

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

##### *Financial assets*

##### *(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.

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 unquoted equity 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.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Financial instruments (cont'd)

#### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

#### (i) Recognition and measurement (cont'd)

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. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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.

#### **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 the replaced component 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

#### (iii) Depreciation (cont'd)

The leasehold land and buildings are depreciated over their useful lives from the date acquisition or subsequently over the remaining useful lives from the date of revaluation. The useful lives for leasehold land and buildings for the current and future years are as follows:

	Current year	Subsequent to revaluation in 2013
Leasehold land	39 - 86	34 - 81
Buildings	24 - 50	19 - 45

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

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.

### (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.

#### (ii) Operating leases

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Leased assets (cont'd)

#### (ii) Operating leases (cont'd)

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 investees, 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 investee.

#### (ii) Amortisation

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

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

### (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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (g) Investment properties (cont'd)

#### (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.

#### (iii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

### (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.

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

### (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.

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 to sell.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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 investees 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 financial asset's recoverable amount 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.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (k) Impairment (cont'd)

#### (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.

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 to sell. 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.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (l) Equity instruments (cont'd)

#### (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 distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

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, and the resulting surplus or deficit on the transaction is presented in share premium.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (m) Income tax (cont'd)

Unutilised reinvestment allowance and investment tax allowance, 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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (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. Once the contributions have been paid, the Group has no further payment obligations.

#### (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.

#### *Contingent liabilities*

Where it is not probable that an outflow of economic benefits will be required, or 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (r) 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 share options granted to employees.

### (s) 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 assess its performance, and for which discrete financial information is available.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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
<b>Group</b>						
<b>At cost/valuation</b>						
At 1 August 2011	154,097	256,841	16,986	8,000	7,529	443,453
Additions	7,566	22,342	3,710	1,327	7,452	42,397
Disposals	--	(13,683)	(63)	(866)	--	(14,612)
Written off	--	(4,566)	(280)	--	--	(4,846)
Transfer	7,442	970	88	--	(8,500)	--
Exchange differences	(155)	(1,356)	7	(13)	(158)	(1,675)
At 31 July 2012/1 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	395,351	651,453	59,503	19,429	21,076	1,146,812
<b>Representing items at:</b>						
Cost	202,983	651,453	59,503	19,429	21,076	954,444
Directors' valuation - 2013	192,368	--	--	--	--	192,368
	395,351	651,453	59,503	19,429	21,076	1,146,812
<b>Accumulated depreciation</b>						
At 1 August 2011	11,998	149,561	13,143	5,317	--	180,019
Depreciation charge	3,859	21,889	1,792	935	--	28,475
Disposals	--	(10,933)	(61)	(866)	--	(11,860)
Written off	--	(4,478)	(276)	--	--	(4,754)
Exchange differences	(47)	(557)	9	(6)	--	(601)
Reclassification	--	(77)	77	--	--	--
At 31 July 2012/1 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	43,037	432,893	41,496	14,220	--	531,646
<b>Carrying amounts</b>						
At 31 July 2011	142,099	107,280	3,843	2,683	7,529	263,434
At 31 July 2012/1 August 2012	153,140	105,143	5,764	3,068	6,323	273,438
At 31 July 2013	352,314	218,560	18,007	5,209	21,076	615,166

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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	Capital work-in- progress RM'000	Total RM'000
<b>Company</b>						
<b>At cost/valuation</b>						
At 1 August 2011	71,579	68,920	7,345	5,763	978	154,585
Additions	--	4,921	1,805	981	972	8,679
Transfer	1,950	--	--	--	(1,950)	--
Disposals	--	(5,286)	--	(866)	--	(6,152)
Written off	--	--	(130)	--	--	(130)
Transfer to subsidiaries	--	(227)	85	--	--	(142)
At 31 July 2012/1 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	76,481	70,430	9,893	5,918	--	162,722
<b>Representing items at:</b>						
Cost	--	70,430	9,893	5,918	--	86,241
Directors' valuation - 2013	76,481	--	--	--	--	76,481
	76,481	70,430	9,893	5,918	--	162,722
<b>Accumulated depreciation</b>						
At 1 August 2011	4,957	35,351	6,349	3,929	--	50,586
Depreciation charge	1,699	6,610	660	613	--	9,582
Disposals	--	(4,062)	--	(866)	--	(4,928)
Written off	--	--	(126)	--	--	(126)
Transfer to subsidiaries	--	(146)	74	--	--	(72)
At 31 July 2012/1 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	--	43,145	7,558	3,297	--	54,000
<b>Carrying amounts</b>						
At 31 July 2011	66,622	33,569	996	1,834	978	103,999
At 31 July 2012/1 August 2012	66,873	30,575	2,148	2,202	--	101,798
At 31 July 2013	76,481	27,285	2,335	2,621	--	108,722

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	Group			Company		
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
<b>Carrying amounts of land and buildings</b>						
<b>At valuation</b>						
Freehold land	37,231	18,829	18,829	18,430	12,429	12,429
Leasehold land:						
- Long term	1,420	1,385	1,401	1,420	1,385	1,401
- Short term	9,370	7,319	7,506	--	--	--
Buildings	144,347	97,493	100,691	56,631	50,995	52,607
<b>At cost</b>						
Freehold land	--	3,514	3,514	--	--	--
Buildings	159,946	24,600	10,158	--	2,064	185
	352,314	153,140	142,099	76,481	66,873	66,622

### Revaluation

Land and buildings other than those acquired through business combination 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 are determined based on cost method of valuation. The value of the land is determined by comparison to similar land transacted and the values of the buildings are 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		
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
Freehold land	21,730	18,222	18,222	11,879	11,879	11,879
Leasehold land:						
- Long term	1,065	1,080	1,095	1,065	1,080	1,095
- Short term	5,782	5,931	6,079	--	--	--
Buildings	86,839	88,936	77,535	32,378	33,177	32,488
	115,416	114,169	102,931	45,322	46,136	45,462

### Leased plant and machinery

At 31 July 2013, the net carrying amount of leased plant and equipment of the Group and of the Company was RM2,742,000 (31.7.2012: RM4,095,000; 1.8.2011: RM9,369,000) and RM232,067 (31.7.2012: RM331,524; 1.8.2011: RM430,983) respectively.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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 RM181,044,000 (31.7.2012: NIL; 1.8.2011: NIL) 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 RM1,509,318 (31.7.2012: RM987,026; 1.8.2011: RM414,407) are held in trust by Directors.

## 4. PREPAID LEASE PAYMENTS

	Unexpired period less than 50 years RM'000
<b>Group</b>	
<b>At cost</b>	
At 1 August 2011	571
Exchange differences	(24)
At 31 July 2012/1 August 2012	547
Additions	8,245
Acquisition through business combination (Note 23)	78,088
Exchange differences	2,156
At 31 July 2013	89,036
<b>Accumulated amortisation</b>	
At 1 August 2011/31 July 2012	--
At 1 August 2012	--
Amortisation charge	23
Exchange differences	1
At 31 July 2013	24
<b>Carrying amounts</b>	
At 31 July 2011	571
At 31 July 2012/1 August 2012	547
At 31 July 2013	89,012

Prepaid lease payments of certain subsidiaries with carrying amount of RM79,826,000 (31.7.2012: NIL; 1.8.2011: NIL) have been pledged as security for banking facilities granted to the said subsidiaries (see Note 15).



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. INVESTMENT PROPERTIES

	31.7.2013 RM'000	Group 31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	Company 31.7.2012 RM'000	1.8.2011 RM'000
Carrying amount, at fair value	3,600	9,835	9,847	--	7,000	7,000

Included in the above are:

	31.7.2013 RM'000	Group 31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	Company 31.7.2012 RM'000	1.8.2011 RM'000
Freehold land	--	7,000	7,000	--	7,000	7,000
Long term leasehold land	800	535	547	--	--	--
Buildings	2,800	2,300	2,300	--	--	--
	3,600	9,835	9,847	--	7,000	7,000

The fair value of the leasehold land and factory buildings are determined by Directors by reference to the valuation conducted in July 2013 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 properties:

	31.7.2013 RM'000	Group 31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	Company 31.7.2012 RM'000	1.8.2011 RM'000
Rental income	356	269	268	--	--	--
Direct operating expenses						
- income generating	24	24	25	--	--	--
- non-income generating	12	12	9	12	12	9

## 6. INVESTMENTS IN SUBSIDIARIES

	31.7.2013 RM'000	Company 31.7.2012 RM'000	1.8.2011 RM'000
<b>At cost</b>			
Quoted shares outside Malaysia	59,446	--	--
Unquoted shares	133,620	132,105	124,866
Less: Impairment loss	(4,959)	(3,570)	(10,411)
	188,107	128,535	114,455
<b>Market value</b>			
Quoted shares outside Malaysia	96,387	--	--

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest		
			31.7.2013 %	31.7.2012 %	1.8.2011 %
V.S. Plus Sdn. Bhd.	Manufacturing, assembly and sale of plastic moulded components and parts and electrical products	Malaysia	99.25	99.25	99.25
V.S. Ashin Technology Sdn. Bhd.	Property letting	Malaysia	54.40	54.40	54.40
V.S. Electronics Sdn. Bhd.	Manufacturing, assembling and sale of electronic and electrical products, components and parts	Malaysia	100	100	100
V.S. Technology Sdn. Bhd.	Design and fabrication of tools and moulds	Malaysia	100	100	100
V.S. Logistics Sdn. Bhd.	Dormant	Malaysia	100	100	100
V.S. Holdings (M) Ltd#	Investment holding	Mauritius	100	100	100
VVS Co., Ltd.	Dormant	British Virgin Islands	--	87.27	87.27
PT. V.S. Technology Indonesia @	Assembling and sale of electronic products	Indonesia	100	100	100
PT.GY Plantation Indonesia @	Operation of an oil palm plantation	Indonesia	--	--	53
VS Marketing & Engineering Pte. Ltd. @	Trading of electronic components	Singapore	51	51	51
V.S. International Group Limited @ - Listed on Hong Kong Stock Exchange	Investment holding	Cayman Islands	53.84	--	--

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of company	Principal activities	Country of incorporation	Effective ownership interest		
			31.7.2013 %	31.7.2012 %	1.8.2011 %
Subsidiaries of V.S. International Group Limited @					
V.S. International Industry Limited	Investment holding	British Virgin Islands	53.84	--	--
V.S. Investment Holdings Limited	Dormant	British Virgin Islands	53.84	--	--
V.S. Corporation (Hong Kong) Co., Limited	Trading of electronic products, parts and components	Hong Kong	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	53.84	--	--
Haivs Industry (Qingdao) Co., Ltd.	Dormant	People's Republic of China	53.84	--	--
Qingdao GS Electronics Plastic Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	53.84	--	--
Qingdao GP Electronic Plastics Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	53.84	--	--
Qingdao GP Precision Mold Co., Ltd.	Manufacturing and selling of plastic injection moulds	People's Republic of China	53.84	--	--
VSA Holding Hong Kong Co., Limited	Investment holding	Hong Kong	53.84	--	--
VSA Electronics Technology (Zhuhai) Co., Ltd.	Assembling and selling of electronic products, parts and components	People's Republic of China	53.84	--	--
V.S. Industry (Zhuhai) Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	53.84	--	--

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of company	Principal activities	Country of incorporation	Effective ownership interest		
			31.7.2013 %	31.7.2012 %	1.8.2011 %
Subsidiaries of V.S. International Group Limited @ (cont'd)					
V.S. Holding Vietnam Limited	Investment holding	British Virgin Islands	53.84	--	--
V.S. Industry Holding Limited	Investment holding	Hong Kong	53.84	--	--
V.S. Electronics (Zhuhai) Co., Ltd.	Assembling and selling of electronic products, parts and components	People's Republic of China	53.84	--	--
V.S. Industrial Product Design (Zhuhai) Co., Ltd.	Dormant	People's Republic of China	53.84	--	--

# Audited by member firm of KPMG International

@ Audited by other firms of accountants

## 7. INVESTMENTS IN ASSOCIATES

	31.7.2013 RM'000	Group 31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	Company 31.7.2012 RM'000	1.8.2011 RM'000
<b>At cost</b>						
Quoted shares outside Malaysia	--	25,265	25,265	--	25,265	25,265
Unquoted shares outside Malaysia	24,966	16,623	16,623	16,623	16,623	16,623
Share of post-acquisition reserves	(4,294)	56,100	61,740	--	--	--
	20,672	97,988	103,628	16,623	41,888	41,888
Less: Impairment loss	(11,651)	(11,651)	(11,651)	(16,623)	(16,623)	(16,623)
	9,021	86,337	91,977	--	25,265	25,265
<b>Represented by:</b>						
Group's share of net assets other than goodwill	9,021	86,005	91,667	--	--	--
Group's share of goodwill in associate's consolidated financial statements less amortisation, at carrying amount	--	332	310	--	--	--
	9,021	86,337	91,977	--	--	--
<b>At market value</b>						
Quoted shares outside Malaysia	--	30,296	16,205	--	30,296	16,205

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 7. INVESTMENTS IN ASSOCIATES (CONT'D)

Summary financial information on the associates:

Name of company	Country of incorporation	Effective ownership interest (%)	Revenue (100%) RM'000	Loss (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
<b>31.7.2013</b>						
PT. VS Mining Resources @**	Indonesia	45.00	--	(630)	8,523	(8,215)
VS Industry Vietnam Joint Stock Company@	Vietnam	23.93	212,157	(6,152)	181,871	(143,825)
			212,157	(6,782)	190,394	(152,040)
<b>31.7.2012</b>						
V.S. International Group Limited - listed on Hong Kong Stock Exchange#*	Cayman Islands	43.06	604,029	(30,377)	598,869	(398,115)
PT. VS Mining Resources @**	Indonesia	45.00	--	(1,762)	9,042	(8,055)
			604,029	(32,139)	607,911	(406,170)
<b>1.8.2011</b>						
V.S. International Group Limited - listed on Hong Kong Stock Exchange#*	Cayman Islands	43.06	639,755	(24,928)	697,158	(482,429)
PT. VS Mining Resources @**	Indonesia	45.00	--	(1,050)	9,497	(6,675)
			639,755	(25,978)	706,655	(489,104)

\* The associate has interest in subsidiaries that are principally involved in the business of manufacturing, assembly and sale of plastic moulded products and parts, electronic products and mould design and fabrication. During the financial year, through acquisition of additional shares, this associate became a subsidiary of the Company (refer Note 6 and Note 23).

\*\* The associate has interest in a controlled entity that is principally involved in the exploration and mining of coal for which impairment losses has been provided in full.

# Audited by member firm of KPMG International.

@ Audited by other firms of accountants.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. DEFERRED TAX ASSETS/(LIABILITIES)

### Recognised deferred tax assets/(liabilities)

The amounts determined after appropriate offsetting are as follows:

	Group			Company		
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
Deferred tax assets	1,190	--	1,176	--	--	--
Deferred tax liabilities	(60,768)	(24,046)	(22,989)	(12,643)	(12,334)	(12,639)
	(59,578)	(24,046)	(21,813)	(12,643)	(12,334)	(12,639)

Deferred tax assets and liabilities are attributable to the following:

	Group			Company		
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
Property, plant and equipment						
- capital allowances	(20,005)	(20,932)	(20,678)	(7,221)	(7,629)	(7,755)
- revaluation	(16,292)	(8,214)	(8,380)	(6,102)	(5,067)	(5,192)
- business combination	(26,415)	--	--	--	--	--
Deductible temporary differences	2,219	1,280	1,105	680	362	308
Unabsorbed capital allowances	915	820	1,801	--	--	--
Unutilised tax losses	--	--	114	--	--	--
Unutilised reinvestment allowances	--	3,000	4,225	--	--	--
	(59,578)	(24,046)	(21,813)	(12,643)	(12,334)	(12,639)

### Movement in temporary differences during the year:

Group	At 1.8.2012 RM'000	Recognised in profit or loss (Note 19) RM'000	Recognised in other comprehensive income RM'000	Exchange differences RM'000	Acquired in business combination (Note 23) 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)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

	At 1.8.2011 RM'000	Recognised in profit or loss (Note 19) RM'000	Exchange differences RM'000	At 31.7.2012 RM'000
Property, plant and equipment				
- capital allowance	(20,678)	(305)	51	(20,932)
- revaluation	(8,380)	166	--	(8,214)
Deductible temporary differences	1,105	185	(10)	1,280
Unabsorbed capital allowances	1,801	(981)	--	820
Unutilised tax losses	114	(114)	--	--
Unutilised reinvestment allowances	4,225	(1,225)	--	3,000
	(21,813)	(2,274)	41	(24,046)

Company	At 1.8.2011 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.7.2012 RM'000	Recognised in profit or loss (Note 19) RM'000	Recognised in other comprehen- -sive income RM'000	At 31.7.2013 RM'000
Property, plant and equipment						
- capital allowance	(7,755)	126	(7,629)	408	--	(7,221)
- revaluation	(5,192)	125	(5,067)	125	(1,160)	(6,102)
Deductible temporary differences	308	54	362	318	--	680
	(12,639)	305	(12,334)	851	(1,160)	(12,643)

### Unrecognised deferred tax assets

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

	31.7.2013 RM'000	Group 31.7.2012 RM'000	1.8.2011 RM'000
Unutilised tax losses	117,166	12,920	12,920
Unutilised reinvestment and investment tax allowances	20,474	15,974	11,974
Deductible temporary differences	668	668	668
Taxable temporary differences	(760)	(686)	(615)
	137,548	28,876	24,947

The unutilised tax losses, unutilised reinvestment and investment tax allowances and deductible temporary differences do not expire under current tax legislation other than unutilised tax losses of RM104.2 million which will expire between 2014 to 2018 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 a subsidiary can utilise the benefits there from.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 9. INVENTORIES

	Group			Company		
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
Raw materials	86,038	55,985	44,082	17,172	22,485	19,688
Work-in-progress	39,295	24,276	22,062	7,125	11,695	10,273
Finished goods	52,087	23,922	20,648	4,582	8,378	8,924
Packing materials	340	394	435	283	394	435
	177,760	104,577	87,227	29,162	42,952	39,320

At the end of the reporting period, the Group has written off obsolete inventories of NIL (31.7.2012: RM294,000; 1.8.2011: NIL).

## 10. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
Trade receivables	371,926	299,322	186,629	150,760	231,237	119,947
Other receivables, deposits and prepayments	36,164	18,249	14,569	2,377	2,815	3,455
Derivatives at fair value through profit or loss - forward foreign currency contracts	2,436	--	--	--	--	--
Due from subsidiaries						
- non-trade	--	--	--	7,275	688	3,082
- loan	--	--	--	3,304	3,182	16,083
- trade	--	--	--	8,257	2,518	244
Due from associates						
- non-trade	--	1	153	--	1	--
- loan	--	--	1,899	--	--	1,899
	410,526	317,572	203,250	171,973	240,441	144,710

## 11. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
Deposits with licensed banks	21,416	20,538	18,989	169	163	8,869
Cash and bank balances	75,872	38,142	52,864	10,125	8,873	34,575
	97,288	58,680	71,853	10,294	9,036	43,444

Included in the deposits placed with licensed banks is RM9,416,000 (31.7.2012: NIL; 1.8.2011: NIL) pledged for bank facilities granted to certain subsidiaries.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 12. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 13 July 2011, the Group entered into a Conditional Sale and Purchase of Shares Agreement with a third party to dispose its entire shareholding in a subsidiary, PT. GY Plantation Indonesia for a consideration of USD4,073,445 (equivalent to RM12,020,736). The sale was completed in October 2011.

Profit/(Loss) attributable to the discontinued operation were as follows:

	<b>Group 31.7.2012 RM'000</b>
<b>Results of discontinued operation</b>	
Revenue	278
Expenses	(890)
Loss before tax/Loss for the year	(612)
Gain on sale of discontinued operation	3,947
Profit for the year	<u>3,335</u>

The cash flows from the discontinued operation are not significant to the Group.

Effect of disposal on the financial position of the Group:

	<b>Group 31.7.2012 RM'000</b>
Property, plant and equipment	10,965
Biological assets	30,463
Deferred tax assets	563
Inventories	397
Trade and other receivables	181
Cash and cash equivalents	84
Trade and other payables	(6,884)
Loan and borrowings	(15,534)
Net assets and liabilities	20,235
Less: Non-controlling interests portion	(11,547)
	<u>8,688</u>
Gain on sale of discontinued operation	3,947
Consideration received, satisfied in cash	12,635
Cash and cash equivalents disposed of	(84)
Net cash inflow	<u>12,551</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 12. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE (CONT'D)

As at 1 August 2011, the assets and liabilities held for sale were as follows:

	Group RM'000
<b>Assets classified as held for sale</b>	
Property, plant and equipment	10,965
Biological assets	30,463
Deferred tax assets	563
Inventories	387
Trade and other receivables	403
Cash and cash equivalents	50
Assets classified as held for sale	<u>42,831</u>
	<b>RM'000</b>
<b>Liabilities classified as held for sale</b>	
Loans and borrowings	
- non-current	104
- current	14,387
Trade and other payables	2,765
Liabilities classified as held for sale	<u>17,256</u>

## 13. CAPITAL AND RESERVES

### Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2013 RM'000	2012 RM'000	2013 '000	2012 '000
Ordinary shares of RM1.00 each:				
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid	<u>182,327</u>	<u>182,327</u>	<u>182,327</u>	<u>182,327</u>

### Reserves

	31.7.2013 RM'000	Group 31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	Company 31.7.2012 RM'000	1.8.2011 RM'000
<b>Non-distributable</b>						
Share premium	2,381	2,381	2,381	2,381	2,381	2,381
Revaluation reserve	60,016	46,628	47,518	25,559	16,065	16,440
Exchange fluctuation reserve	4,105	(833)	--	--	--	--
Capital reserve	142	9,396	9,121	--	--	--
Employee share-based reserve	5,880	5,903	3,588	6,127	5,259	2,914
Treasury shares	(1,522)	(1,499)	(985)	(1,522)	(1,499)	(985)
	<u>71,002</u>	<u>61,976</u>	<u>61,623</u>	<u>32,545</u>	<u>22,206</u>	<u>20,750</u>
<b>Distributable</b>						
Retained earnings	226,317	166,188	149,659	69,405	77,777	58,454
	<u>297,319</u>	<u>228,164</u>	<u>211,282</u>	<u>101,950</u>	<u>99,983</u>	<u>79,204</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 13. CAPITAL AND RESERVES (CONT'D)

### Treasury shares

At the Annual General Meeting held on 3 January 2013, 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 15,000 (31.7.2012: 351,300; 1.8.2011: 341,800) of its issued ordinary shares. The average repurchase price was RM1.49 (31.7.2012: RM1.46; 1.8.2011: RM1.37) per ordinary share. The total consideration paid was RM22,313 including transaction costs of RM163.

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 2013, a total of 1,119,336 (31.7.2012: 1,104,336; 1.8.2011: 753,036) repurchased shares are being held as treasury shares. The number of outstanding ordinary shares of RM1.00 each in issue after the setoff is 181,207,370 (31.7.2012: 181,222,370; 1.8.2011: 181,573,670).

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.

### Retained earnings

The Company has adopted the single tier company income tax system pursuant to Finance Act, 2007.

### Employee share-based reserve

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

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 management personnel and employees to purchase shares in the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 13. CAPITAL AND RESERVES (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

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

Date of offer	Exercise price RM	At 1 August 2012	Number of options over ordinary shares of RM1.00 each ('000)			At 31 July 2013
			Granted	Exercised	Forfeited	
19 November 2010	1.54	19,631	--	--	(728)	18,903

### 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.

Fair value at grant date	RM0.367
Share price at grant date	RM1.74
Exercise price	RM1.54
Expected volatility (weighted average volatility)	30%
Option life (expected weighted average life)	5 years
Expected dividends	5%
Risk-free interest rate (based on Malaysian Government Securities)	3.287%

### Value of employee services received for issue of share options

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total expense recognised as equity settled share-based transaction	870	2,340	464	1,481

## 14. LONG TERM PAYABLES

	31.7.2013 RM'000	Group 31.7.2012 RM'000	1.8.2011 RM'000
Due to Directors	4,322	4,322	4,322

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 15. LOANS AND BORROWINGS

	Group			Company		
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
<b>Non-current</b>						
<b>Secured</b>						
Term loans	94,584	--	579	--	--	--
Finance lease liabilities	251	667	1,894	157	201	333
	94,835	667	2,473	157	201	333
<b>Unsecured</b>						
Term loans	55,755	33,925	27,036	16,907	2,505	6,521
	150,590	34,592	29,509	17,064	2,706	6,854
<b>Current</b>						
<b>Secured</b>						
Term loans	12,974	--	824	--	--	--
Bank overdrafts	10,029	--	--	--	--	--
Short term loan	26,438	--	--	--	--	--
Trust receipts	24,038	--	--	--	--	--
Finance lease liabilities	395	1,136	1,823	43	42	126
	73,874	1,136	2,647	43	42	126
<b>Unsecured</b>						
Revolving credit	5,000	5,000	10,000	5,000	5,000	10,000
Term loans	20,243	14,328	18,889	6,881	5,067	10,097
Bankers' acceptances	81,794	80,337	59,685	43,950	35,678	49,669
Bank overdrafts	--	1,702	566	--	--	--
Foreign currency trust receipts	13,317	--	9,258	--	--	--
Short term loan	16,939	913	4,275	--	--	--
	137,293	102,280	102,673	55,831	45,745	69,766
	211,167	103,416	105,320	55,874	45,787	69,892
	361,757	138,008	134,829	72,938	48,493	76,746

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 15. LOANS AND BORROWINGS (CONT'D)

### Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
<b>Group</b>			
<b>31.7.2013</b>			
Less than one year	415	20	395
Between one and five years	262	11	251
	<u>677</u>	<u>31</u>	<u>646</u>
<b>31.7.2012</b>			
Less than one year	1,218	82	1,136
Between one and five years	698	31	667
	<u>1,916</u>	<u>113</u>	<u>1,803</u>
<b>1.8.2011</b>			
Less than one year	1,996	173	1,823
Between one and five years	2,004	110	1,894
	<u>4,000</u>	<u>283</u>	<u>3,717</u>
<b>Company</b>			
<b>31.7.2013</b>			
Less than one year	50	7	43
Between one and five years	166	9	157
	<u>216</u>	<u>16</u>	<u>200</u>
<b>31.7.2012</b>			
Less than one year	50	8	42
Between one and five years	217	16	201
	<u>267</u>	<u>24</u>	<u>243</u>
<b>1.8.2011</b>			
Less than one year	144	18	126
Between one and five years	361	28	333
	<u>505</u>	<u>46</u>	<u>459</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 16. TRADE AND OTHER PAYABLES

	Group			Company		
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
Trade payables	281,567	222,988	137,655	98,571	150,554	90,323
Other payables and accrued expenses	93,709	49,166	44,036	13,831	20,568	16,216
Due to subsidiaries						
- trade	--	--	--	26,599	39,364	17,701
- non-trade	--	--	--	5	--	--
Due to associates						
- trade	--	390	89	--	98	89
	375,276	272,544	181,780	139,006	210,584	124,329

Included in other payables and accrued expenses are:

	Group			Company		
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
Property, plant and equipment creditors	6,540	4,004	1,967	1,993	2,628	324
Sundry creditors	19,732	11,382	9,949	4,047	5,228	3,354
Accrued expenses	39,021	22,340	19,960	7,791	12,712	12,538
Progress billings to customers	28,416	11,440	12,160	--	--	--
	93,709	49,166	44,036	13,831	20,568	16,216

## 17. FINANCE COSTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	5,219	5,557	1,769	2,890
Other financing cost	449	302	51	68
	5,668	5,859	1,820	2,958

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 18. OPERATING PROFIT

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Operating profit is arrived at after charging/crediting)</b>				
Audit fees				
- KPMG Malaysia	221	209	130	130
- Other auditors	586	59	--	--
- (Over)/Under provided in prior year	(1)	20	--	15
Non-audit fees				
- KPMG Malaysia	9	9	9	9
Depreciation	32,658	28,475	10,113	9,582
Amortisation of prepaid lease payments	23	--	--	--
Allowance for slow moving inventories	375	--	--	--
Derivative loss on currency forward contracts	1,181	941	576	584
Inventories written down	--	294	--	--
Impairment loss/(Reversal of impairment loss) on receivables	480	(172)	--	--
Personnel expenses (including key management personnel):				
- Contributions to state plans	6,957	7,362	3,704	4,136
- Wages, salaries and others	139,634	137,268	53,707	62,745
- Equity settled share-based transactions	870	2,340	464	1,481
Rental of premises	6,083	4,228	3,991	3,518
Loss on dilution of interest in an associate	5,878	--	--	--
Investments in subsidiaries:				
- impairment loss/(reversal of impairment loss)	--	--	1,389	(6,841)
- written off	--	--	26	--
Foreign exchange:				
- Unrealised (gain)/loss	(41)	(696)	516	(594)
- Realised loss/(gain)	(880)	1,582	(632)	2,033
Property, plant and equipment:				
- Written off	19	92	19	4
- Gain on disposal	(413)	(351)	(404)	(256)
Gain on disposal of investment property	(1,860)	--	(1,860)	--
Bad debts recovered	(120)	(60)	(750)	(18)
Interest income:				
- Deposits	(929)	(917)	(227)	(360)
- Associate	--	(25)	--	(25)
Rental income	(562)	(454)	(50)	(52)
Changes in fair value of investment property	(765)	12	--	--



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 18. OPERATING PROFIT (CONT'D)

Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors				
- Fees	425	412	412	412
- Remuneration	10,948	13,778	9,240	12,203
- Contributions to state plans	1,135	1,499	1,108	1,457
- Equity settled share-based transaction	166	432	166	432
Total short term employee benefits	12,674	16,121	10,926	14,504
Other key management personnel:				
- Wages, salaries and others	3,668	3,380	561	539
- Contributions to state plans	177	177	67	65
- Other short term employee benefits	32	29	9	7
- Equity settled share-based transaction	81	209	14	36
	3,958	3,795	651	647
	16,632	19,916	11,577	15,151

The estimated monetary value of Directors' benefit-in-kind of the Group/Company is RM132,000 (2012: RM123,000).

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 EXPENSE

### Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Current tax expense</b>				
- Malaysian tax				
- Current year	7,439	11,326	4,030	9,877
- Prior year	(266)	93	(296)	197
- Overseas tax				
- Current year	1,490	2,774	--	--
- Prior year	--	11	--	--
	8,663	14,204	3,734	10,074

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 19. TAX EXPENSE (CONT'D)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Deferred tax expense/(income)</b>				
- Malaysian tax				
- Origination and reversal of temporary differences	776	2,246	(1,094)	(429)
- Prior year	33	108	243	124
- Overseas tax				
- Origination and reversal of temporary differences	8	(80)	--	--
	817	2,274	(851)	(305)
Total tax expense recognised in profit or loss	9,480	16,478	2,883	9,769
Tax expense on share of profit of an associate	1,426	2,386	--	--
Total income tax expense	10,906	18,864	2,883	9,769
<b>Reconciliation of tax expense</b>				
Profit for the year	39,967	35,648	5,750	40,703
Total tax expense	10,906	18,864	2,883	9,769
Profit before tax	50,873	54,512	8,633	50,472
Income tax calculated using Malaysian tax rate of 25%	12,718	13,628	2,158	12,618
Effect of different tax rates in foreign jurisdictions	(185)	(900)	--	--
Effect of gain arising from acquisition of a subsidiary	(7,603)	--	--	--
Deferred tax assets not recognised:				
- associate	1,940	4,578	--	--
- subsidiaries	1,481	(32)	--	--
Non-deductible expenses	4,095	2,085	1,516	546
Tax exempt/Non-taxable income	(776)	(9)	(738)	(3,716)
Tax incentives	(531)	(728)	--	--
Others	--	30	--	--
	11,139	18,652	2,936	9,448
(Over)/Under provided in prior years	(233)	212	(53)	321
Total tax expense	10,906	18,864	2,883	9,769

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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:

Profit attributable to ordinary shareholders:

	2013			2012		
	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000
<b>Group</b>						
Profit for the year attributable to owners	43,910	--	43,910	34,055	3,335	37,390

Weighted average number of ordinary shares:

	2013 '000	2012 '000
Issued ordinary shares after deducting treasury shares at 1 August	182,327	182,327
Effect of shares repurchased	(1,115)	(1,015)
Weighted average number of ordinary shares at 31 July	181,212	181,312
Basic earnings per ordinary share (sen)		
- From continuing operations	24.23	18.78
- From discontinued operation	--	1.84
	24.23	20.62

### 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
<b>2013</b>			
2012 - Fourth, single tier	6.0	10,873	25 October 2012
2013 - First interim, single tier	2.0	3,624	31 January 2013
		14,497	
<b>2012</b>			
2011 - Fourth, single tier	3.0	5,443	28 October 2011
2012 - First interim, single tier	5.0	9,064	31 January 2012
2012 - Second interim, single tier	2.0	3,624	3 May 2012
2012 - Third interim, single tier	2.0	3,624	31 July 2012
		21,755	

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 21. DIVIDENDS (CONT'D)

After the reporting period, the following dividend was declared by the Directors on 27 September 2013. This dividend will be recognised in subsequent financial period.

	Sen per share	Total amount RM'000	Date of payment
2013 - Second interim, single tier	3.0	<u>5,436</u>	30 October 2013

## 22. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment represents:-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current year additions (Note 3)	33,930	42,397	6,929	8,679
Less: Amount under credit term (Note 16)	(6,540)	(4,004)	(1,993)	(2,628)
Add: Payment in respect of previous year's purchase of property, plant and equipment	4,004	1,967	2,628	324
	<u>31,394</u>	<u>40,360</u>	<u>7,564</u>	<u>6,375</u>

## 23. 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 2013, 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 23. ACQUISITION OF A SUBSIDIARY (CONT'D)

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

	<b>Group 2013 RM'000</b>
<b>Fair value of consideration transferred</b>	
Cash and cash equivalents	34,181
<b>Identifiable assets acquired and liabilities assumed</b>	
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
<b>Net cash inflow arising from acquisition of subsidiary</b>	
Purchase consideration settled in cash and cash equivalents	(34,181)
Cash and cash equivalents acquired	50,398
	16,217
<b>Negative goodwill</b>	
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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 24. OPERATING SEGMENTS (CONT'D)

	Malaysia		People's Republic of China		Indonesia		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Segment profit</b>	31,358	53,772	(5,362)	--	4,341	10,132	30,337	63,904
<i>Included in the measure of segment profit are:</i>								
Revenue from external customers	1,019,048	1,074,901	44,712	--	96,210	113,811	1,159,970	1,188,712
Inter-segment revenue	356	2,110	--	--	--	--	356	2,110
Depreciation and amortisation	(25,031)	(24,568)	(3,577)	--	(3,908)	(3,729)	(32,516)	(28,297)
Finance costs	(4,456)	(5,323)	(538)	--	(505)	(427)	(5,499)	(5,750)
Interest income	667	864	35	--	227	78	929	942
<i>Not included in the measure of segment profit but provided to Managing Director</i>								
Income tax expense	(7,982)	(13,784)	(83)	--	(1,415)	(2,694)	(9,480)	(16,478)
<b>Segment assets</b>	897,805	753,571	611,417	--	93,380	76,923	1,602,602	830,494
<i>Included in the measure of segment assets are:</i>								
Additions to non-current assets other than financial instruments and deferred tax assets	16,990	27,892	2,161	--	23,024	14,333	42,175	42,225
<b>Segment liabilities</b>	430,900	398,993	358,380	--	47,036	37,710	836,316	436,703

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 24. OPERATING SEGMENTS (CONT'D)

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

	2013 RM'000	2012 RM'000
<b>Profit</b>		
Total profit for reportable segments	30,337	63,904
Other non-reportable segments	(2,532)	(2,989)
Effect of acquisition of a subsidiary (Note 23)	30,413	--
Elimination of inter-segment profits	2,267	956
Loss on dilution of interest in an associate	(5,878)	--
Share of loss of associates not included in reportable segments	(5,160)	(13,080)
Consolidated profit before tax	49,447	48,791

	External revenue RM'000	Deprecia- -tion and amortisa- -tion 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
<b>2013</b>								
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
<b>2012</b>								
Total reportable segments	1,188,712	(28,297)	(5,750)	942	830,494	--	42,225	436,703
Other non-reportable segments	13,280	(178)	(109)	--	8,165	--	172	20,887
Components not monitored by managing director	--	--	--	--	61,072	86,337	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(48,745)	--	--	(17,525)
Consolidated total	1,201,992	(28,475)	(5,859)	942	850,986	86,337	42,397	440,065



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Group</b>				
Malaysia	806,929	958,754	280,459	253,541
Indonesia	97,652	112,967	52,521	29,940
United Kingdom	18,694	24,616	--	--
People's Republic of China	32,587	--	374,622	--
Others	208,049	105,655	176	339
<b>Total</b>	<b>1,163,911</b>	<b>1,201,992</b>	<b>707,778</b>	<b>283,820</b>

### Major customers

There is a major customer with revenue equal to or more than 10 percent of the Group revenue with details as follows:

	Revenue		Segment
	2013 RM'000	2012 RM'000	
A customer	639,963	770,962	Malaysia

## 25. CONTINGENCIES (UNSECURED)

	31.7.2013 RM'000	Group 31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	Company 31.7.2012 RM'000	1.8.2011 RM'000
(i) Corporate guarantees given to financial institutions in respect of outstanding term loans and banking facilities of subsidiaries	--	--	--	103,631	88,170	70,839
(ii) Claim by a third party on land used by a disposed subsidiary for planting of biological assets^	--	--	32,108	--	--	--

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. CONTINGENCIES (UNSECURED) (CONT'D)

<sup>^</sup> In prior year, PT. GY Plantation Indonesia ("PTGY") was granted the site license to operate its palm oil plantation in 2004 in Indonesia. The site license was issued pending the issuance of the land utilization right and rezoning of land area by the relevant government authorities.

However, a third party previously having beneficial rights to the said land has succeeded in a legal claim in Indonesia for reinstatement of its right to the land.

The Group's entire shareholding in PTGY was disposed during the financial year ended 31 July 2012 (see Note 12).

## 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) Fair value through profit or loss ("FVTPL")  
- forward foreign currency contracts; and
- (c) Other financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R RM'000	FL RM'000	FVTPL - forward foreign currency contracts RM'000
<b>31.7.2013</b>				
<b>Group</b>				
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
<b>Company</b>				
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)	--
<b>31.7.2012</b>				
<b>Group</b>				
Trade and other receivables	317,572	317,572	--	--
Cash and cash equivalents	58,680	58,680	--	--
Loans and borrowings	(138,008)	--	(138,008)	--
Trade and other payables	(261,104)	--	(261,104)	--
Long term payables	(4,322)	--	(4,322)	--
	(27,182)	376,252	(403,434)	--
<b>Company</b>				
Trade and other receivables	240,441	240,441	--	--
Cash and cash equivalents	9,036	9,036	--	--
Loans and borrowings	(48,493)	--	(48,493)	--
Trade and other payables	(210,584)	--	(210,584)	--
	(9,600)	249,477	(259,077)	--

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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
<b>1.8.2011</b>				
<b>Group</b>				
Trade and other receivables	203,250	203,250	--	--
Cash and cash equivalents	71,853	71,853	--	--
Loans and borrowings	(134,829)	--	(134,829)	--
Trade and other payables	(169,620)	--	(169,620)	--
Long term payables	(4,322)	--	(4,322)	--
	(33,668)	275,103	(308,771)	--
<b>Company</b>				
Trade and other receivables	144,710	144,710	--	--
Cash and cash equivalents	43,444	43,444	--	--
Loans and borrowings	(76,746)	--	(76,746)	--
Trade and other payables	(124,329)	--	(124,329)	--
	(12,921)	188,154	(201,075)	--

### 26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net losses arising on:				
Fair value through profit or loss:				
- forward foreign currency contracts	(1,181)	(941)	(576)	(584)
Loans and receivables	1,490	288	1,094	(1,036)
Financial liabilities measured at amortised cost	(5,668)	(5,859)	(1,820)	(2,958)
	(5,359)	(6,512)	(1,302)	(4,578)

### 26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 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 55% and 97% (31.7.2012: 74% and 92%; 1.8.2011: 62% and 90%) 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.

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

	Group			Company		
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
Malaysia	183,985	250,599	138,739	150,750	231,109	119,947
Indonesia	19,274	19,899	24,699	--	--	--
People's Republic of China	63,897	--	--	--	--	--
United States of America	60,963	12,500	--	--	--	--
Others	47,908	17,135	24,276	10	128	--
	376,027	300,133	187,714	150,760	231,237	119,947

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.4 Credit risk (cont'd)

#### Receivables (cont'd)

##### *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
<b>31.7.2013</b>						
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
	<u>376,027</u>	<u>(4,101)</u>	<u>371,926</u>	<u>150,760</u>	<u>--</u>	<u>150,760</u>
<b>31.7.2012</b>						
Not past due	244,909	--	244,909	189,768	--	189,768
Past due 1 - 30 days	52,772	--	52,772	41,268	--	41,268
Past due 31 - 60 days	1,122	--	1,122	195	--	195
Past due 61 - 90 days	158	--	158	--	--	--
Past due more than 90 days	1,172	(811)	361	6	--	6
	<u>300,133</u>	<u>(811)</u>	<u>299,322</u>	<u>231,237</u>	<u>--</u>	<u>231,237</u>
<b>1.8.2011</b>						
Not past due	164,534	--	164,534	118,500	--	118,500
Past due 1 - 30 days	17,662	--	17,662	1,419	--	1,419
Past due 31 - 60 days	1,993	--	1,993	22	--	22
Past due 61 - 90 days	3,021	(592)	2,429	--	--	--
Past due more than 90 days	504	(493)	11	6	--	6
	<u>187,714</u>	<u>(1,085)</u>	<u>186,629</u>	<u>119,947</u>	<u>--</u>	<u>119,947</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.4 Credit risk (cont'd)

#### Receivables (cont'd)

##### *Impairment losses (cont'd)*

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

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 August 2012/2011	811	1,085	--	--
Acquisition through business combination	2,777	--	--	--
Impairment loss recognised	480	--	--	--
Impairment loss reversed	--	(172)	--	--
Impairment loss written off	--	(123)	--	--
Exchange differences	33	21	--	--
At 31 July	4,101	811	--	--

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.

#### 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 RM103.6 million (2012: RM88.2 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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.

*Impairment losses*

The movements of impairment losses of loans to subsidiaries during the financial year were:

	Company	
	2013	2012
	RM'000	RM'000
At 1 August	--	12,155
Impairment loss written off	--	(12,155)
At 31 July	--	--

### 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.5 Liquidity risk (cont'd)

#### 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
<b>31.7.2013</b>							
<i>Non-derivative financial liabilities</i>							
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	--	--	--
	<u>712,939</u>		<u>741,326</u>	<u>566,600</u>	<u>34,180</u>	<u>128,573</u>	<u>11,973</u>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	--		120,377	120,377	--	--	--
Inflow	(2,436)		(122,813)	(122,813)	--	--	--
	<u>710,503</u>		<u>738,890</u>	<u>564,164</u>	<u>34,180</u>	<u>128,573</u>	<u>11,973</u>
<b>31.7.2012</b>							
<i>Non-derivative financial liabilities</i>							
Secured finance lease liabilities	1,803	2.17 – 5.70	1,916	1,218	423	258	17
Unsecured short term loan	913	6.50	943	943	--	--	--
Unsecured term loans	48,253	3.17 – 6.50	53,489	15,064	12,313	19,868	6,244
Unsecured revolving credit	5,000	4.61	5,000	5,000	--	--	--
Unsecured bankers' acceptances	80,337	1.21 – 4.21	80,337	80,337	--	--	--
Unsecured bank overdrafts	1,702	7.30 – 7.60	1,702	1,702	--	--	--
Due to Directors	4,322	--	4,322	--	--	--	4,322
Trade and other payables	261,104	--	261,104	261,104	--	--	--
	<u>403,434</u>		<u>408,813</u>	<u>365,368</u>	<u>12,736</u>	<u>20,126</u>	<u>10,583</u>



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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
<b>1.8.2011</b>							
<i>Non-derivative financial liabilities</i>							
Secured finance lease liabilities	3,717	2.50 – 5.70	4,000	1,996	1,467	452	85
Secured term loans	1,403	6.50 – 7.50	1,485	891	594	--	--
Unsecured term loans	50,200	4.05 – 4.71	53,810	24,778	14,005	12,583	2,444
Unsecured trust receipts	9,258	1.08	9,258	9,258	--	--	--
Unsecured revolving credit	10,000	4.56	10,000	10,000	--	--	--
Unsecured bankers' acceptances	59,685	1.21 – 4.21	59,685	59,685	--	--	--
Unsecured bank overdrafts	566	7.45	566	566	--	--	--
Due to Directors	4,322	--	4,322	--	--	--	4,322
Trade and other payables	169,620	--	169,620	169,620	--	--	--
	<u>308,771</u>		<u>312,746</u>	<u>276,794</u>	<u>16,066</u>	<u>13,035</u>	<u>6,851</u>

### Company

#### 31.7.2013

##### *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	--	--	--
	<u>211,944</u>		<u>214,971</u>	<u>195,997</u>	<u>5,188</u>	<u>13,786</u>	<u>--</u>

#### 31.7.2012

##### *Non-derivative financial liabilities*

Secured finance lease liabilities	243	3.57	267	50	50	150	17
Unsecured term loans	7,572	4.05 – 4.85	8,272	5,507	2,130	635	--
Unsecured revolving credit	5,000	4.61	5,000	5,000	--	--	--
Unsecured bankers' acceptances	35,678	1.21 – 4.21	35,678	35,678	--	--	--
Trade and other payables	210,584	--	210,584	210,584	--	--	--
	<u>259,077</u>		<u>259,801</u>	<u>256,819</u>	<u>2,180</u>	<u>785</u>	<u>17</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.5 Liquidity risk (cont'd)

Company	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
<b>1.8.2011</b>							
<i>Non-derivative financial liabilities</i>							
Secured finance lease liabilities	459	2.50 – 3.57	505	144	144	150	67
Unsecured term loans	16,618	4.05 – 6.05	17,534	10,642	4,247	2,645	--
Unsecured revolving credit	10,000	4.56	10,000	10,000	--	--	--
Unsecured bankers' acceptances	49,669	1.21 – 4.21	49,669	49,669	--	--	--
Trade and other payables	124,329	--	124,329	124,329	--	--	--
	<u>201,075</u>		<u>202,037</u>	<u>194,784</u>	<u>4,391</u>	<u>2,795</u>	<u>67</u>

### 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 exposure to these currencies are not considered significant to the Group as their usage 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.6 Market risk (cont'd)

#### Currency risk (cont'd)

##### *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:

	<b>Denominated in USD</b>	
	<b>Group RM'000</b>	<b>Company RM'000</b>
<b>31.7.2013</b>		
Trade and other receivables	128,719	11,572
Cash and cash equivalents	42,521	6,293
Trade and other payables	(119,410)	(36,827)
Unsecured trust receipt	(7,621)	--
Unsecured short term loan	(8,035)	--
Secured trust receipts	(24,038)	--
Secured term loans	(107,558)	--
Forward foreign currency contracts		
- outflow	(120,377)	--
- inflow	122,813	--
<b>Net exposure</b>	<b>(92,986)</b>	<b>(18,962)</b>
<b>31.7.2012</b>		
Trade and other receivables	43,894	5,518
Cash and cash equivalents	20,466	2,201
Trade and other payables	(94,900)	(60,856)
Unsecured term loans	(11,758)	--
Unsecured short term loan	(913)	--
Secured finance lease liabilities	(209)	--
<b>Net exposure</b>	<b>(43,420)</b>	<b>(53,137)</b>
<b>1.8.2011</b>		
Trade and other receivables	77,175	20,263
Cash and cash equivalents	9,813	144
Trade and other payables	(53,357)	(24,892)
Unsecured trust receipts	(9,258)	--
Secured term loans	(5,678)	--
Secured finance lease liabilities	(667)	--
<b>Net exposure</b>	<b>18,028</b>	<b>(4,485)</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.6 Market risk (cont'd)

#### *Currency risk sensitivity analysis*

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

A 10% (2012: 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.

	<b>Denominated in USD</b>	
	<b>Group RM'000</b>	<b>Company RM'000</b>
<b>2013</b>		
Profit or (loss)	6,974	1,422
<b>2012</b>		
Profit or (loss)	3,257	3,985

A 10% (2012: 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:

	<b>Group</b>			<b>Company</b>		
	<b>31.7.2013 RM'000</b>	<b>31.7.2012 RM'000</b>	<b>1.8.2011 RM'000</b>	<b>31.7.2013 RM'000</b>	<b>31.7.2012 RM'000</b>	<b>1.8.2011 RM'000</b>
<b>Fixed rate instruments</b>						
Financial assets	21,416	20,538	20,888	169	163	10,768
Financial liabilities	(140,252)	(87,140)	(85,126)	(49,150)	(40,921)	(62,704)
	(118,836)	(66,602)	(64,238)	(48,981)	(40,758)	(51,936)
<b>Floating rate instruments</b>						
Financial liabilities	(221,505)	(50,868)	(49,703)	(23,788)	(7,572)	(14,042)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.6 Market risk (cont'd)

#### *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 RM1,661,000 (2012: RM382,000) and RM178,000 (2012: RM57,000) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

### 26.7 Fair value of financial instruments

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 floating rates term loans approximate its fair value as its effective interest rate changes accordingly to movements in the market interest rate.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31.7.2013		31.7.2012		1.8.2011	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Group</b>						
<b>Financial liabilities</b>						
Unsecured term loans	--	--	--	--	3,975	3,906
Secured finance lease liabilities	646	623	1,803	1,689	3,717	3,664
Forward exchange contracts:						
Assets	2,436	2,436	--	--	--	--
<b>Company</b>						
<b>Financial liabilities</b>						
Unsecured term loans	--	--	--	--	2,574	2,574
Secured finance lease liabilities	200	187	243	245	459	469

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.7 Fair value of financial instruments (cont'd)

#### *Derivatives*

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted market price is not available, then fair value 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).

#### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases the market rate of interest is determined by reference to similar lease agreements.

#### *Interest rates used to determine fair value*

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	31.7.2013 %	Group 31.7.2012 %	1.8.2011 %	31.7.2013 %	Company 31.7.2012 %	1.8.2011 %
Unsecured term loans	7.30	7.30	7.30	--	--	--
Secured finance lease liabilities	2.60 - 7.50	2.60 - 7.50	2.60 - 7.20	2.60	2.60	2.60

#### **Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 2/ Total RM'000
<b>Group</b>	
<b>31.7.2013</b>	
<b>Financial assets</b>	
Forward exchange contracts	2,436

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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.

The debt-to-equity ratios at 31 July 2013 and 31 July 2012 were as follows:

	31.7.2013 RM'000	Group 31.7.2012 RM'000	1.8.2011 RM'000
Total loans and borrowings (Note 15)	361,757	138,008	134,829
Less: Cash and cash equivalents (Note 11)	(97,288)	(58,680)	(71,853)
Net debt	264,469	79,328	62,976
Total equity attributable to owners of the Company	479,646	410,491	393,609
Debt-to-equity ratio	0.55	0.19	0.16

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

## 28. CAPITAL COMMITMENTS

	31.7.2013 RM'000	Group 31.7.2012 RM'000	1.8.2011 RM'000
<b>Property, plant and equipment</b>			
Contracted but not provided for	3,311	14,693	6,266

## 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:

	31.7.2013 RM'000	Group 31.7.2012 RM'000	1.8.2011 RM'000
Within one year	2,368	--	--
Two to five years	63	--	--
	2,431	--	--

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 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 the entities as shown below and key management personnel as disclosed in Note 18.

### Significant related party transactions

The significant related party transactions of the Group and the Company are shown below.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>A. Subsidiaries</b>				
Sales of goods	--	--	29,110	3,799
Sales of plant and equipment	--	--	392	85
Purchases of goods	--	--	161,577	170,974
Purchase of plant and equipment	--	--	--	15
Loan to subsidiaries	--	--	4,006	2,558
Rental expense	--	--	186	536
<b>B. Associates</b>				
Purchases of goods	1,207	1,607	--	99
Purchase of plant and equipment	--	3,685	--	--
Interest income	--	25	--	25
Sales commission income	--	25	--	--
<b>C. Companies which are wholly - owned by close family member of certain Directors</b>				
Outstanding balances:				
- due to	317	295	--	--
- due from	552	897	--	--
Purchases of tooling	1,815	2,537	--	--
Sales commission income	1,417	1,151	--	--
<b>D. A company in which certain Directors have substantial financial interest</b>				
Rental expense	233	233	--	233



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. RELATED PARTIES (CONT'D)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>E. Companies in which a major shareholder has financial interest</b>				
Purchases of goods	4,719	4,580	1,105	9
Outstanding balances	743	708	411	--
<b>F. Remuneration paid to staff who are close family member of certain Directors</b>	804	699	269	225
<b>G. A company controlled by a Director</b>				
Operating lease charges and management fee expense	328	--	--	--
Outstanding balances:				
- due to	483	--	--	--
- due from	792	--	--	--
<b>H. A company controlled by the family member of a Director</b>				
Sub-contracting fee expense	955	--	--	--
Outstanding balances	1,084	--	--	--

## 31. EXPLANATION OF TRANSITION TO MFRSS

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 July 2013, the comparative information presented in these financial statements for the financial year ended 31 July 2012 and in the preparation of the opening MFRS statement of financial position at 1 August 2011 (the Group's date of transition to MFRSSs).

The transition to MFRSSs does not have a financial impact to the separate financial statements of the Company.

In preparing the opening statement of financial position at 1 August 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSSs.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 31. EXPLANATION OF TRANSITION TO MFRSS (CONT'D)

An explanation of how the transition from previous FRSSs to MFRSSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

### 31.1 Reconciliation of financial position

Group	1.8.2011			31.7.2012				
	FRSS RM'000	Effect of Transition to MFRSS RM'000	Reclassifi- cation* RM'000	MFRSS RM'000	FRSS RM'000	Transition to MFRSS RM'000	Reclassifi- cation* RM'000	MFRSS RM'000
<b>Assets</b>								
Property, plant and equipment	264,552	--	(1,118)	263,434	274,520	--	(1,082)	273,438
Prepaid lease payments	--	--	571	571	--	--	547	547
Investment properties	9,300	--	547	9,847	9,300	--	535	9,835
Investments in associates	91,977	--	--	91,977	86,337	--	--	86,337
Deferred tax assets	--	1,176	--	1,176	--	--	--	--
<b>Total non-current assets</b>	<b>365,829</b>	<b>1,176</b>	<b>--</b>	<b>367,005</b>	<b>370,157</b>	<b>--</b>	<b>--</b>	<b>370,157</b>
Inventories	87,227	--	--	87,227	104,577	--	--	104,577
Trade and other receivables	203,250	--	--	203,250	317,572	--	--	317,572
Cash and cash equivalents	71,853	--	--	71,853	58,680	--	--	58,680
Assets classified as held for sale	362,330	--	--	362,330	480,829	--	--	480,829
	42,831	--	--	42,831	--	--	--	--
<b>Total current assets</b>	<b>405,161</b>	<b>--</b>	<b>--</b>	<b>405,161</b>	<b>480,829</b>	<b>--</b>	<b>--</b>	<b>480,829</b>
<b>Total assets</b>	<b>770,990</b>	<b>1,176</b>	<b>--</b>	<b>772,166</b>	<b>850,986</b>	<b>--</b>	<b>--</b>	<b>850,986</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 31. EXPLANATION OF TRANSITION TO MFRSS (CONT'D)

### 31.1 Reconciliation of financial position (cont'd)

Group	1.8.2011		31.7.2012	
	FRSS RM'000	Effect of Transition to MFRSS RM'000	Reclassifi- cation* RM'000	MFRSS RM'000
<b>Equity</b>				
Share capital	182,327	--	--	182,327
Reserves	222,582	4,225	(15,525)	228,164
Amount recognised directly in equity relating to asset held for sale	(15,525)	--	15,525	--
<b>Total equity attributable to owners of the Company</b>	<b>389,384</b>	<b>4,225</b>	<b>--</b>	<b>410,491</b>
<b>Non-controlling interests</b>	<b>13,612</b>	<b>--</b>	<b>--</b>	<b>430</b>
<b>Total equity</b>	<b>402,996</b>	<b>4,225</b>	<b>--</b>	<b>410,921</b>
<b>Liabilities</b>				
Long term payables	4,322	--	--	4,322
Loans and borrowings	29,509	--	--	34,592
Deferred tax liabilities	26,038	(3,049)	--	24,046
<b>Total non-current liabilities</b>	<b>59,869</b>	<b>(3,049)</b>	<b>--</b>	<b>62,960</b>
Trade and other payables	181,780	--	--	272,544
Loans and borrowings	105,320	--	--	103,416
Taxation	3,769	--	--	1,145
Liabilities classified as held for sale	290,869	--	--	377,105
<b>Total current liabilities</b>	<b>17,256</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total liabilities</b>	<b>308,125</b>	<b>--</b>	<b>--</b>	<b>377,105</b>
<b>Total equity and liabilities</b>	<b>367,994</b>	<b>(3,049)</b>	<b>--</b>	<b>440,065</b>
	770,990	1,176	--	850,986

\* Comparative figures have been restated to conform with current year presentation.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 31. EXPLANATION OF TRANSITION TO MFRSS (CONT'D)

### 31.2 Reconciliation of statements of profit or loss and other comprehensive income for the year ended 31 July 2012

Group	FRSs RM'000	Effect of Transition to MFRSS RM'000	MFRSS RM'000
<b>Continuing operations</b>			
Revenue			
Goods sold	1,201,992	--	1,201,992
Cost of goods sold	(1,055,020)	--	(1,055,020)
<b>Gross profit</b>	146,972	--	146,972
Other income	3,612	--	3,612
Distribution expenses	(24,607)	--	(24,607)
Administrative expenses	(55,617)	--	(55,617)
Other expenses	(3,572)	--	(3,572)
<b>Results from operating activities</b>	66,788	--	66,788
Interest income	942	--	942
Finance costs	(5,859)	--	(5,859)
<b>Net finance costs</b>	(4,917)	--	(4,917)
<b>Operating profit</b>	61,871	--	61,871
Share of loss of equity accounted associate, net of tax	(13,080)	--	(13,080)
<b>Profit before tax</b>	48,791	--	48,791
Tax expense	(15,253)	(1,225)	(16,478)
<b>Profit from continuing operations</b>	33,538	(1,225)	32,313
<b>Discontinued operation</b>			
Profit from discontinued operation, net of tax	3,335	--	3,335
<b>Profit for the year</b>	36,873	(1,225)	35,648
<b>Other comprehensive expense, net of tax</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences for foreign operations	(809)	--	(809)
<b>Other comprehensive expense for the year</b>	(809)	--	(809)
<b>Total comprehensive income for the year</b>	36,064	(1,225)	34,839

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 31. EXPLANATION OF TRANSITION TO MFRSS (CONT'D)

### 31.2 Reconciliation of statements of profit or loss and other comprehensive income for the year ended 31 July 2012 (cont'd)

Group	FRSs RM'000	Effect of Transition to MFRSs RM'000	MFRSs RM'000
<b>Profit attributable to:</b>			
Owners of the Company	38,615	(1,225)	37,390
Non-controlling interests	(1,742)	--	(1,742)
<b>Profit for the year</b>	<b>36,873</b>	<b>(1,225)</b>	<b>35,648</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	37,782	(1,225)	36,557
Non-controlling interests	(1,718)	--	(1,718)
<b>Total comprehensive income for the year</b>	<b>36,064</b>	<b>(1,225)</b>	<b>34,839</b>

### 31.3 Material adjustments to the statements of cash flows for 2012

There are no material differences between the statements of cash flows presented under MFRSs and the statements of cash flows presented under FRSs.

### 31.4 Notes to reconciliations

#### (a) Deferred tax on tax incentives

Under FRSs, unutilised reinvestment allowance is treated as tax base of an asset and is recognised as a reduction of tax expense in profit or loss as and when they are utilised.

Upon transition to MFRSs, unutilised reinvestment allowance, 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 which the unutilised tax incentive can be utilised.

The impact arising from the change is summarised as follows:

	1.8.2011 RM'000	31.7.2012 RM'000
<b>Statements of profit or loss and other comprehensive income</b>		
Tax expense		(1,225)
<b>Statements of financial position</b>		
Deferred tax assets	1,176	--
Deferred tax liabilities	3,049	3,000
<b>Adjustment to retained earnings</b>	<b>4,225</b>	<b>3,000</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 31. EXPLANATION OF TRANSITION TO MFRSS (CONT'D)

### 31.4 Notes to reconciliations (cont'd)

#### (b) Foreign currency translation differences

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the exchange fluctuation reserve in equity.

Upon transition to MFRSS, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition with the corresponding adjustment to retained earnings.

	Group			
	1.8.2011		31.7.2012	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
<b>Consolidated statement of changes in equity</b>				
Exchange fluctuation reserve	--	10,973	(833)	10,140

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 32. 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	125,354	119,263	76,462	84,450
- unrealised	(17,057)	(15,152)	(7,057)	(6,673)
	108,297	104,111	69,405	77,777
Total retained earnings from associates				
- realised	(4,972)	17,247	--	--
- unrealised	--	(1,510)	--	--
	(4,972)	15,737	--	--
Add: Consolidation adjustments	103,325	119,848	69,405	77,777
	122,992	46,340	--	--
Total retained earnings	226,317	166,188	69,405	77,777

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 2013 RM'000	Date of Last Revaluation (R) / Acquisition (A)
<b>V.S. INDUSTRY BERHAD</b>						
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 (21 years)	900	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 (2-17 years)	5,881	31-Jul-13 (R)
88447, Jalan Murni 12 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	12.26	462,101	Factory/ office (2-storey)	Freehold (7-10 years)	66,300	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)
Parent Lot No 46967 51, Jalan Mewah Utama 1/4 Bandar Putra, 81000 Kulai Johor Darul Takzim	0.09	2,622	Hostel (cluster home)	Freehold (5 years)	500	31-Jul-13 (R)
<b>V.S. PLUS SDN. BHD.</b>						
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 (21 years)	27,000	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 (20 years)	6,500	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 (16 years)	3,600	31-Jul-13 (R)



# LIST OF PROPERTIES

CONT'D

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 2013 RM'000	Date of Last Revaluation (R) / Acquisition (A)
<b>V.S. PLUS SDN. BHD.</b>						
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 (16 years)	5,740	31-Jul-13 (R)
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 (3 years)	33,000	31-Jul-13 (R)
<b>V.S. ELECTRONICS SDN. BHD.</b>						
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 (17 years)	21,300	31-Jul-13 (R)
<b>V.S. TECHNOLOGY SDN. BHD.</b>						
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 (26 years)	6,230	31-Jul-13 (R)
<b>V.S. ASHIN TECHNOLOGY SDN. BHD.</b>						
72061- PLO 121, Jalan Cyber 5 Senai Industrial Estate (Phase III), 81400 Senai Johor Darul Takzim	1.00	27,900	Rented out (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 15/06/2064 (13 years)	3,600	31-Jul-13 (R)
<b>PT. V. S. TECHNOLOGY INDONESIA</b>						
Jalan 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 (11 years)	3,057	31-Jul-13 (R)

# LIST OF PROPERTIES

CONT'D

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 2013 RM'000	Date of Last Revaluation (R) / Acquisition (A)
<b>PT. V. S. TECHNOLOGY INDONESIA</b>						
Jalan Cendana Raya Blok F-10 No. 06B Kawasan Industri Delta Silicon 3 Kelurahan Sukamahi Kecamatan Cikarang Pusat Bekasi, Jawa Barat	6.28	-	Construction in progress	Leasehold for 30 years	8,647	5-Jul-11 (A)
<b>V. S. TECHNOLOGY INDUSTRY PARK (ZHUHAI) CO., LTD.</b>						
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 (12 years)	190,171	10-Jul-13* (A)
<b>QINGDAO GS ELECTRONICS PLASTIC CO., LTD.</b>						
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 (11 years)	32,053	10-Jul-13* (A)
<b>QINGDAO GP ELECTRONIC PLASTICS CO., LTD.</b>						
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 (7 years)	17,547	10-Jul-13* (A)

\* Date of acquisition of subsidiary

# ANALYSIS OF SHAREHOLDINGS

As at 15 November 2013

Authorised Share Capital	: RM500,000,000
Issued and Fully Paid-Up Capital	: RM182,326,706
Class of Shares	: Ordinary shares of RM1.00 each
Voting Rights	: One vote per ordinary share
No. of Shareholders	: 3,921

## DISTRIBUTION OF SHAREHOLDINGS

Range of Shares	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
1 - 99	351	8.95	15,558	0.01
100 - 1,000	325	8.29	186,481	0.10
1,001 - 10,000	2,371	60.47	9,884,533	5.42
10,001 - 100,000	760	19.38	19,605,196	10.75
100,001 - 9,116,334	110	2.81	78,706,139	43.17
9,116,335 and above	4	0.10	73,928,799	40.55
<b>Total</b>	<b>3,921</b>	<b>100.00</b>	<b>182,326,706</b>	<b>100.00</b>

## LIST OF TOP 30 SHAREHOLDERS AS AT 15 NOVEMBER 2013

(as shown in the Record of Depositors)

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
1.	HSBC Nominees (Tempatan) Sdn Bhd <i>Exempt An For BNP Paribas Wealth Management Singapore Branch (Local)</i>	23,580,140	12.93
2.	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An For OCBC Securities Private Limited (Client A/C-NR)</i>	18,742,500	10.28
3.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Beh Kim Ling (MBB HK-240577)</i>	18,485,228	10.14
4.	Beh Kim Ling	13,120,931	7.20
5.	Lembaga Tabung Haji	8,512,315	4.67
6.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt An For OCBC Securities Private Limited (Client A/C-R ES)</i>	7,527,688	4.13
7.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Gan Sem Yam</i>	5,525,850	3.03
8.	Gan Tiong Sia	4,889,686	2.68
9.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank For Gan Tong Chuan (PBCL-0G0006)</i>	4,150,125	2.28
10.	Chin Chin Seong	2,585,100	1.42
11.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank For Kuah Hun Liang (MY0271)</i>	2,228,136	1.22
12.	Gan Sem Yam	2,224,991	1.22
13.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Gan Tong Chuan (MBB HK-280356)</i>	2,069,931	1.14
14.	Ng Ang Lim	1,620,106	0.89
15.	Low Kwai Leng	1,508,000	0.83
16.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank For Gan Chu Cheng (PBCL-0G0003)</i>	1,500,000	0.82

# ANALYSIS OF SHAREHOLDINGS

As at 15 November 2013

CONT'D

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
17.	Gan Chong Thai @ Gan To	1,435,250	0.79
18.	Gan Swu Kim	1,423,468	0.78
19.	Citigroup Nominees (Asing) Sdn Bhd <i>CBNY For Dimensional Emerging Markets Value Fund</i>	1,337,193	0.73
20.	V.S. Industry Berhad – Share Buy Back Account	1,124,336	0.61
21.	Gan Pee Yong	1,000,000	0.55
22.	Cheng Kin Yin	980,000	0.54
23.	Beh Hwee Lee	915,723	0.50
24.	Gan Chong Thai @ Gan To	900,365	0.49
25.	AMSEC Nominees (Tempatan) Sdn. Bhd. <i>AmTrustee Berhad for Pacific Pearl Fund (UT-PM-PPF)</i>	861,400	0.47
26.	Tan Kuan Teck	838,000	0.46
27.	Gan Chu Cheng	803,611	0.44
28.	Lee Sau Kwang	701,887	0.38
29.	Gan Chong Thai @ Gan To	688,500	0.38
30.	Kim Poh Holdings Sdn Bhd	669,375	0.37
	Total	131,949,835	72.37

## LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 15 NOVEMBER 2013

(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	31,606,159	26,799,474	(a)	32.23
2.	Datin Gan Chu Cheng	25,183,751	33,221,882	(b)	32.23
3.	Datuk Gan Sem Yam	14,278,529	2,563,250	(c)	9.29
4.	Datin Ling Sok Mooi	525,000	16,316,779	(d)	9.29
5.	Inabata & Co., Ltd	-	18,742,500	(e)	10.34

## DIRECTORS' INTERESTS IN SHARES AS AT 15 NOVEMBER 2013

No.	Name of Substantial Shareholders	Interests in Shares		Note	Percentage (%)
		Direct	Deemed		
<b>A.</b>	<b>In the Company</b>				
	Datuk Beh Kim Ling	31,606,159	26,799,474	(a)	32.23
	Datin Gan Chu Cheng	25,183,751	33,221,882	(b)	32.23
	Datuk Gan Sem Yam	14,278,529	2,563,250	(c)	9.29
	Gan Tiong Sia	4,889,686	21,420	(f)	2.71
	Ng Yong Kang	166,775	-		0.09
	Dato' Sri Mohd Nadzmi Bin Mohd Salleh	-	-		-
	Pan Swee Keat	20,000	-		0.01
	Tang Sim Cheow	-	-		-
	Chang Tian Kwang	-	-		-
	(Alternate Director to Datin Gan Chu Cheng)				

# ANALYSIS OF SHAREHOLDINGS

As at 15 November 2013

CONT'D

## DIRECTORS' INTERESTS IN SHARES AS AT 15 NOVEMBER 2013 (CONT'D)

No.	Name of Substantial Shareholders	Interests in Shares		Note	Percentage (%)
		Direct	Deemed		
<b>B.</b>	<b>In Related Corporations</b>				
<b>(i)</b>	<b>V.S. Ashin Technology Sdn. Bhd. (Ordinary shares of RM1.00 each)</b>				
	Datuk Beh Kim Ling	-	4,480,000	(a) & (g)	64.00
	Datin Gan Chu Cheng	672,000	3,808,000	(g)	64.00
	Datuk Gan Sem Yam	746,667	-		10.67
<b>(ii)</b>	<b>V.S. Plus Sdn. Bhd. (Ordinary shares of RM1.00 each)</b>				
	Datuk Beh Kim Ling	-	49,625,000	(g)	99.25
	Datin Gan Chu Cheng	-	49,625,000	(g)	99.25
<b>(iii)</b>	<b>VS Marketing &amp; Engineering Pte. Ltd. (Ordinary shares)</b>				
	Datuk Beh Kim Ling	-	561,000	(g)	51.00
	Datin Gan Chu Cheng	-	561,000	(g)	51.00
	Datuk Gan Sem Yam	-	264,000	(h)	24.00
	Gan Tiong Sia	-	110,000	(i)	10.00
<b>(iv)</b>	<b>V.S. International Group Limited (Ordinary shares of HKD0.05 each)</b>				
	Datuk Beh Kim Ling	61,428,566	800,994,998	(g) & (j)	64.25
	Datin Gan Chu Cheng	78,388,573	784,034,991	(g) & (k)	64.25
	Datuk Gan Sem Yam	32,690,867	-		2.43
	Gan Tiong Sia	34,111,611	-		2.54
	Tang Sim Cheow	639,130	-		0.05
<b>(v)</b>	<b>V.S. International Group Limited (Warrant)</b>				
	Datuk Beh Kim Ling	6,533,461	96,595,011	(g) & (j)	75.22
	Datin Gan Chu Cheng	19,113,465	84,015,007	(g) & (k)	75.22
	Datuk Gan Sem Yam	3,046,250	-		2.22
	Gan Tiong Sia	2,103,463	-		1.53

# ANALYSIS OF SHAREHOLDINGS

As at 15 November 2013

CONT'D

## DIRECTORS' INTERESTS IN SHARES AS AT 15 NOVEMBER 2013 (CONT'D)

No.	Name of Substantial Shareholders	Interests in Shares		Note	Percentage (%)
		Direct	Deemed		
B. In Related Corporations (Cont'd)					
(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	(j)	10.00
	Datin Gan Chu Cheng	3,750,000	3,750,000	(k)	10.00
	Datuk Gan Sem Yam	3,750,000	-		5.00
	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	(j)	*
	Datin Gan Chu Cheng	5	5	(k)	*
	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 its substantial shareholdings in Inabata Sangyo (H.K.) Ltd. and Inabata Singapore (Pte.) Ltd.
- (f) By virtue of the shareholdings of his spouse, Madam Loi Hui Hong.
- (g) By virtue of his/her substantial shareholdings in V.S. Industry Berhad.
- (h) By virtue of his substantial shareholdings in V.Plus Resources Pte. Ltd.
- (i) By virtue of the shareholdings of his daughters, Miss Gan Swu Juan and Miss Gan Swu San.
- (j) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng.
- (k) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling.

\* Negligible percentage



**V.S. INDUSTRY BERHAD** (88160-P)  
(Incorporated in Malaysia)

# FORM OF PROXY

Number of ordinary shares held

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 First 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 Thursday, 2 January 2014 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 Directors' fees		
2	Re-election of retiring Director, Datuk Beh Kim Ling		
3	Re-election of retiring Director, Mr Tang Sim Cheow		
4	Re-election of retiring Director, Mr Ng Yong Kang		
5	Re-appointment of KPMG as Auditors and authorise the Directors to fix their remuneration		
6	Authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
7	Renewal of Shareholders' Approval for Share Buy-Back		
8	Renewal of Shareholders' Mandate for RRPTs with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang		
9	Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates		
10	Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd		
11	Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries		
12	New Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte Ltd		
13	Retention of Dato' Sri Mohd Nadzmi Bin Mohd Salleh as Independent Non-Executive Director		
14	Retention of Mr Pan Swee Keat as Independent Non-Executive Director		
15	Retention of Mr Tang Sim Cheow as Independent Non-Executive Director		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013 / 2014

\_\_\_\_\_  
Signature of Member(s)

## NOTES:

- 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.
- 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.
- 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.
- 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.
- 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*

---

The Company Secretary  
**V.S. INDUSTRY BERHAD** (88160-P)  
Suite 7E, Level 7  
Menara Ansar  
65 Jalan Trus  
80000 Johor Bahru  
Johor, Malaysia

AFFIX  
STAMP  
HERE

*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. Jababeka IV E Blok V 78 K  
Kawasan Industri Jababeka Cikarang  
Pasirgombong Lemahabang Bekasi  
17550 Indonesia  
Tel No : 62-218 9110 879  
Fax No : 62-218 9110 880

---

## **SINGAPORE**

VS Marketing & Engineering Pte. Ltd.  
8, Boon Lay Way  
Tradehub 21  
#07-13, Singapore 609964  
Tel No : 65-6352 9969  
Fax No : 65-6352 9979

---

## **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 : 852-2511 9880

---

## **ASSOCIATES INDONESIA**

PT. VS Mining Resources  
Jl. Jababeka IV E Blok V 78K  
Kawasan Industri Jababeka Cikarang  
Pasirgombong Lemahabang Bekasi  
17550 Indonesia  
Tel No : 62-218 9110 879  
Fax No : 62-218 9110 880



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

**PTD 86556, Jalan Murni 12, Taman Perindustrian Murni**  
**81400 Senai, Johor Darul Takzim, Malaysia**  
**Tel: 07-597 3399**  
**Fax: 07-599 4694**  
**Website: [www.vs-i.com](http://www.vs-i.com)**