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

Setting Benchmarks

Annual Report 2012

COVER RATIONALE

"SETTING BENCHMARKS"

Equipped with more than three decades' track record in the Electronics Manufacturing Services (EMS) sector, V.S. Industry has made it to the list of the world's top 50 EMS providers for five consecutive years from 2007 to 2011.

This aptly demonstrates the Group's consistent endeavour to set new benchmarks to bring about sustainable benefit for all stakeholders.

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CORPORATE INFORMATION

Board of Directors

Beh Kim Ling
Executive Chairman

Gan Sem Yam
Managing Director

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 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
Gan Sem Yam

Remuneration Committee

Pan Swee Keat
(Chairman)
Tang Sim Cheow
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
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 5 consecutive years from 2007 to 2011.

Together with our Hong Kong Stock Exchange listed associate 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.

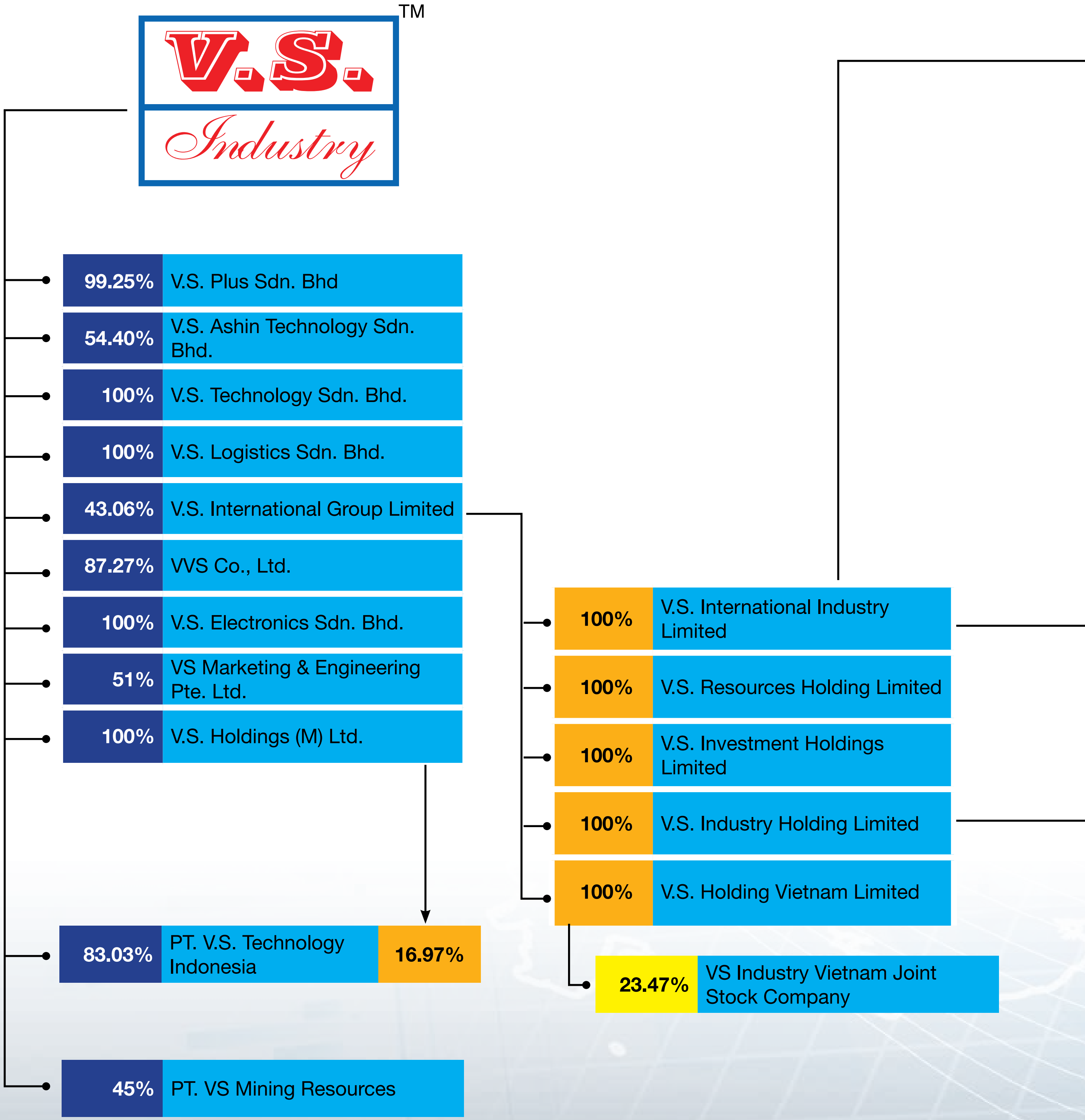
Our extensive manufacturing services include plastic injection mould design and fabrication, a wide range of injection tonnage and finishing processes, large scale production of printed circuit boards, automated assembly and final processes of packaging and logistics.

GEOGRAPHICAL FOOTPRINT

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


V.S.

CORPORATE STRUCTURE



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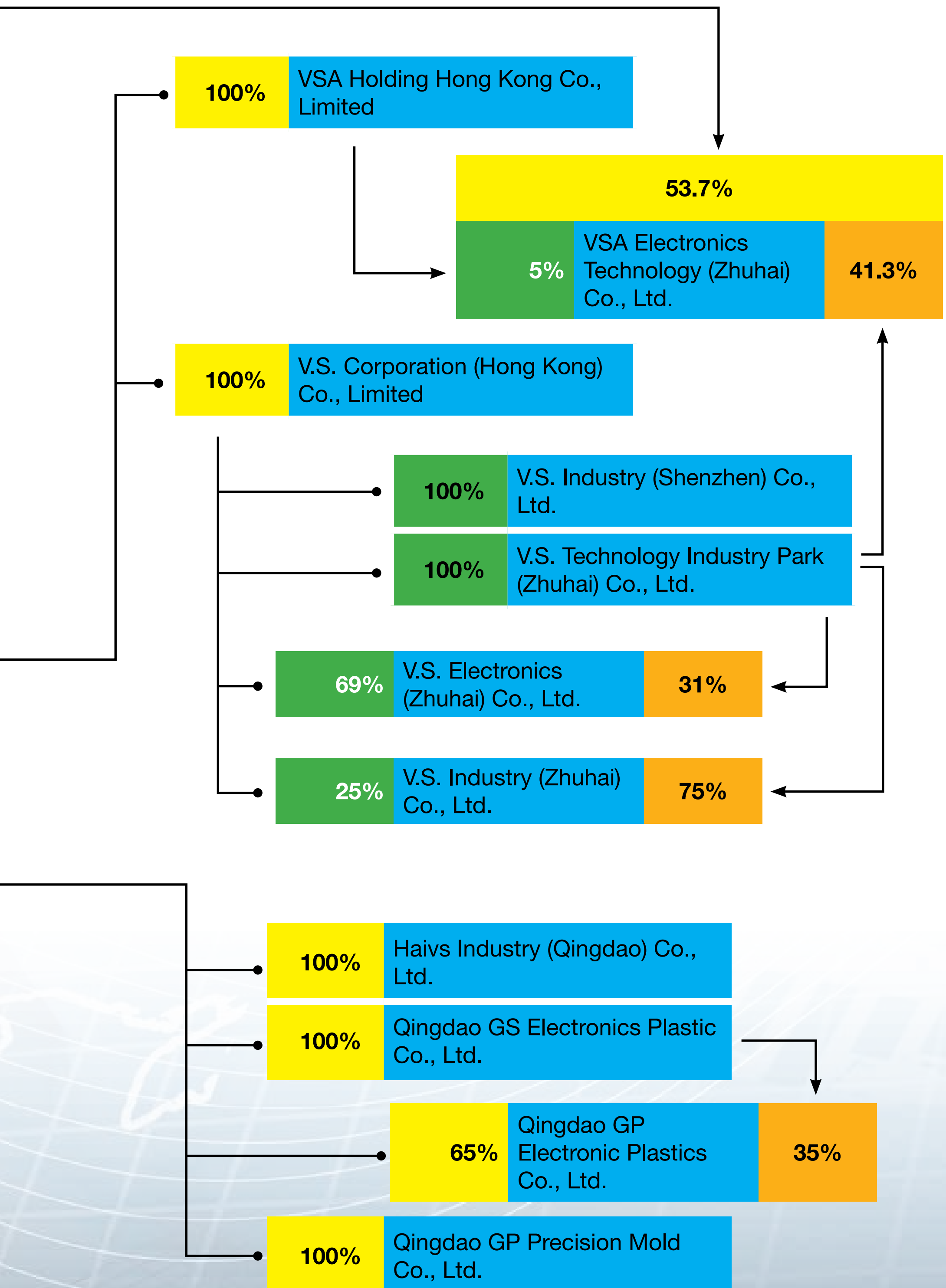
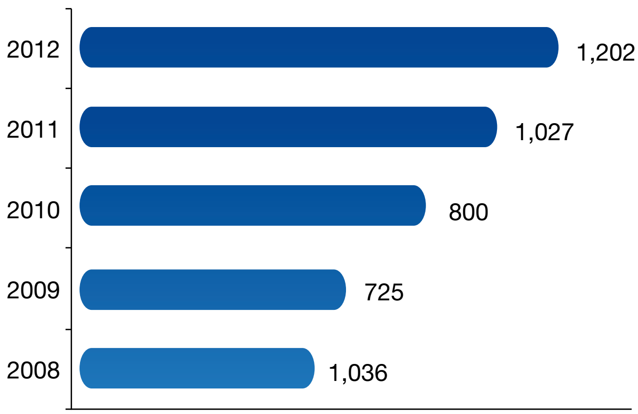
CORPORATE STRUCTURE

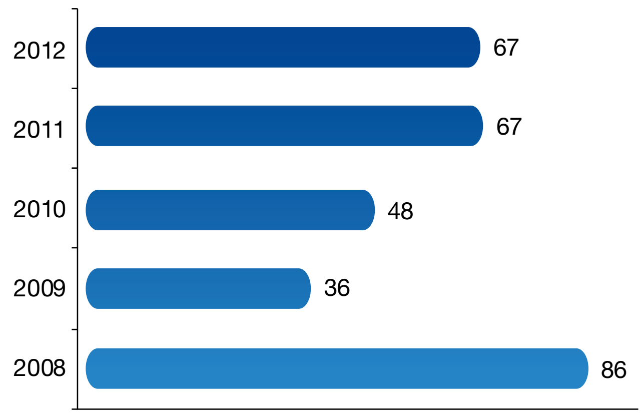


FINANCIAL HIGHLIGHTS

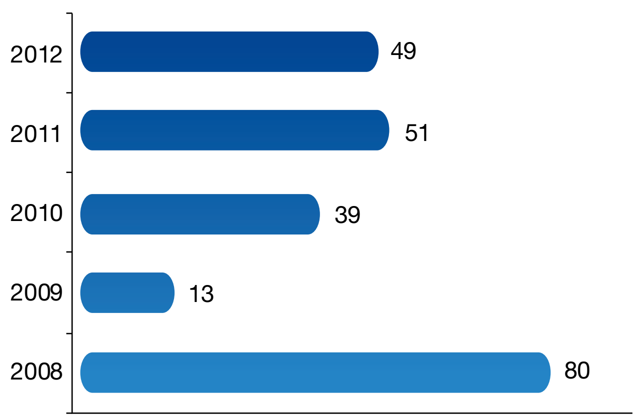
Revenue (RM 'mil)



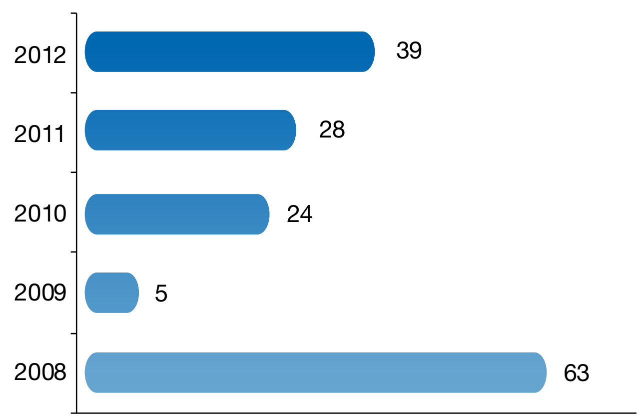
Earnings Before Interest & Tax (RM 'mil)



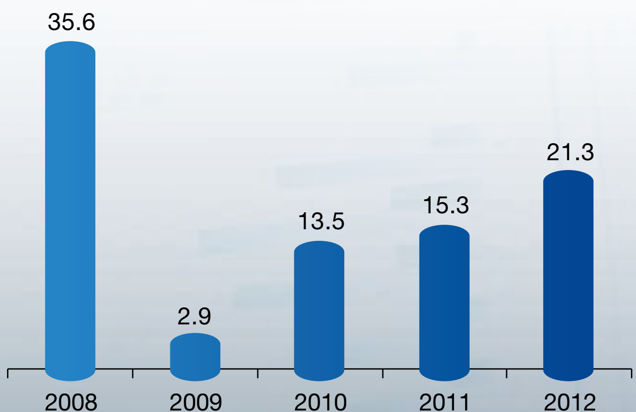
Profit Before Tax (RM 'mil)



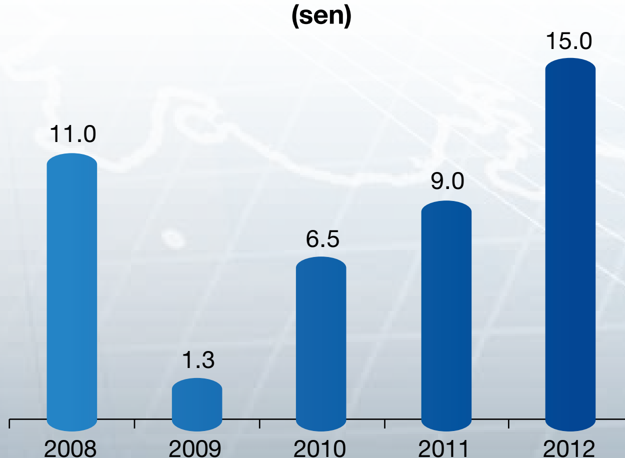
Net Profit (RM 'mil)



Basic Earnings Per Share (sen)



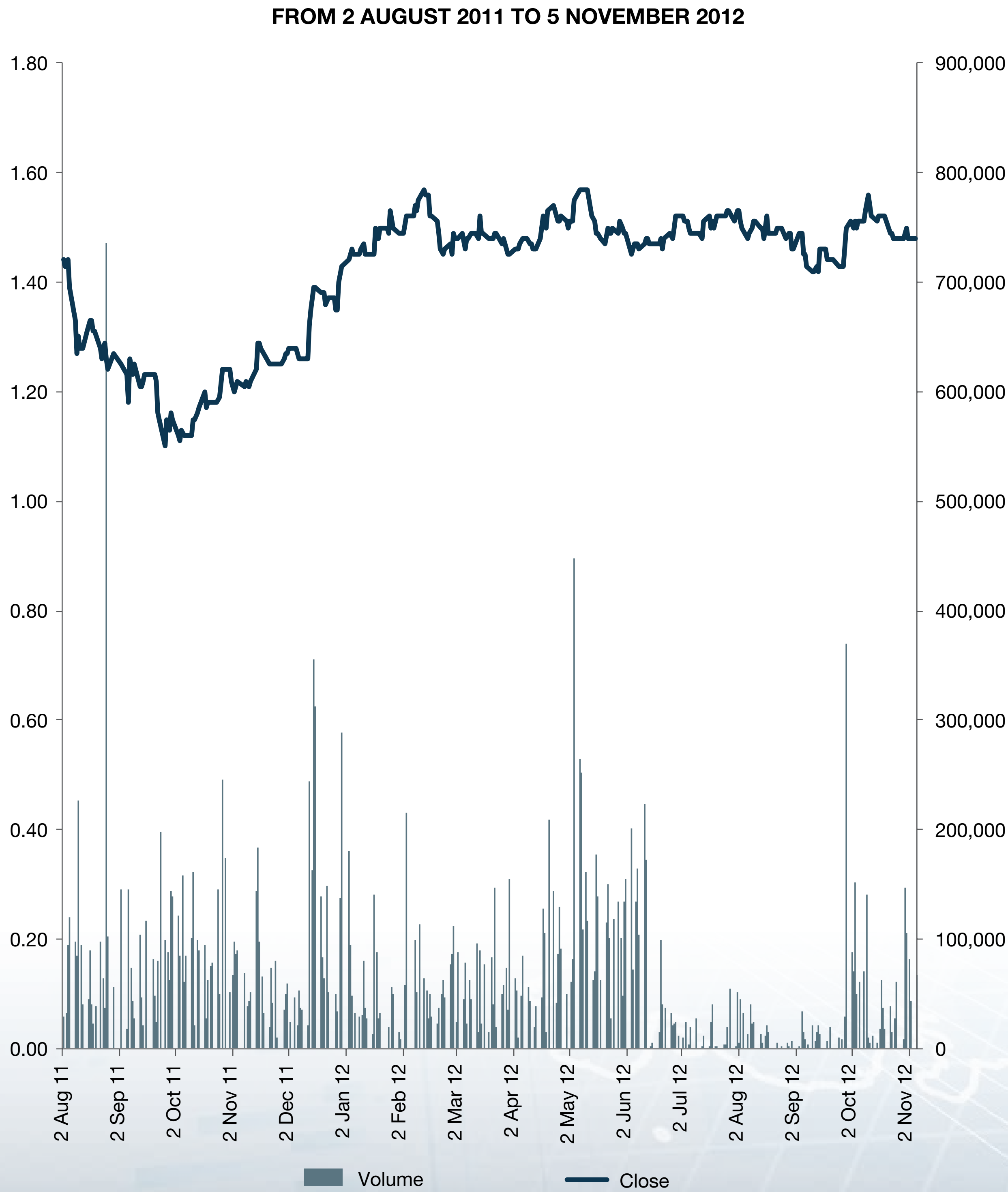
Tax-Exempt Dividend Per Share (sen)



FINANCIAL HIGHLIGHTS

Financial Summary For the Financial Year Ended 31 July (RM'000)	2012	2011	2010	2009	2008
Revenue	1,201,992	1,026,818	800,170	724,836	1,035,647
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	95,275	95,712	75,992	64,957	113,719
Earnings before Interest and Tax ("EBIT")	66,788	67,337	47,842	36,040	85,997
Share of Results of Associates	(13,080)	(10,491)	(3,648)	(16,215)	2,623
Profit before Tax ("PBT")	48,791	51,363	38,777	13,021	80,364
Net Profit after Minority Interest	38,615	27,721	24,290	5,224	63,422
Total Dividends Paid	27,185	16,333	11,751	2,331	18,593
As At 31 July (RM'000)					
Shareholders' Funds	407,491	389,384	374,587	357,816	355,115
Share Capital (RM1.00 par)	182,327	182,327	179,702	179,702	179,702
Reserves (Net of Treasury Shares at Cost)	225,164	207,057	194,885	178,114	175,413
Total Assets	850,986	770,990	754,179	711,523	776,464
Net Current Assets	103,724	97,036	45,937	(4,314)	(9,039)
Total Borrowings	138,008	134,829	170,044	177,650	193,916
Cash and Cash Equivalents	58,680	71,853	67,364	54,697	62,066
Per Share					
Basic Earnings per Share (sen)	21.3	15.3	13.5	2.9	35.6
Total Tax-Exempt Dividend per Share (sen)	15.0	9.0	6.5	1.3	11.0
Net Tangible Assets per Share (RM)	2.2	2.1	2.1	2.0	2.1
Returns (%)					
Return on Average Shareholders' Equity (%)	9.7	7.3	6.6	1.5	19.4
Return on Average Total Assets (%)	4.8	3.6	3.3	0.7	8.4
Financial Analysis					
Gross Margin (%)	12.2	14.4	15.2	13.6	15.6
Operating Margin (%)	5.6	6.6	6.0	5.0	8.3
PBT Margin (%)	4.1	5.0	4.8	1.8	7.8
Net Margin (%)	3.2	2.7	3.0	0.7	6.1
Gearing (Net of Cash) (times)	0.2	0.2	0.3	0.3	0.4
Interest Coverage (times)	13.6	12.3	8.8	5.3	10.4
Dividend Payout Ratio (%)	70.4	58.9	48.4	44.6	29.3

SHARE PRICE PERFORMANCE



Share Price @ Period Close (5 November 2012):	1.48
Market Capitalisation	RM269.8 mil
FY12 Price-Earnings (PE) Ratio	7.0 x
Price-to-Book Ratio	0.7 x
FY12 Dividend Yield	10.1%

LETTER TO SHAREHOLDERS

Dear Shareholders,

It is my privilege to present to you, on behalf of the Board of Directors of V.S. Industry Berhad (VS), the Annual Report and audited financial results of the Group and Company for the financial year ended 31 July 2012 (or FY2012).

The global macro economy was largely shaped by the negative predicaments in the West, primarily the financial crisis and economic uncertainty in the Eurozone and United States respectively. Subsequent reports of a possible slowdown in China's manufacturing activities did little to raise hopes of a global rebound.

These unfortunate circumstances had a hand in adversely impacting demand for consumer electronics the world over, resulting in the Electronics Manufacturing Sector (EMS) landscape a rather challenging one to manoeuvre.

FY2012 FINANCIAL PERFORMANCE

Nonetheless, I am pleased to report that despite the tough environment worldwide, VS attained a year of strong top line growth, achieving record-high group revenue of RM1.2 billion in the year under review. This compares well to the RM1.0 billion mark in the previous financial year, and is primarily attributable to higher sales orders from customers at our Malaysia and Indonesia manufacturing plants.

VS has also made considerable headway in cultivating a larger base of key customers, in line with our portfolio-expansion initiative. In this respect, the Group incurred higher operating expenses relating to headcount expansion, and capital expenditure (CAPEX) through the investment into a new plant in Senai, Johor.

Taking into account the share of losses of associates, group profits before tax were maintained at RM48.8 million in FY2012, versus RM51.4 million previously.

VS ended the year with group net profits of RM38.6 million – increasing 39.3% from the previous year's net profit of RM27.7 million. Basic earnings per share (EPS) rose correspondingly to 21.3 sen from 15.3 sen respectively.

A closer look at the balance sheet showed shareholders equity increasing to RM407.9 million, from RM389.4 million at the previous year-end. Although group borrowings rose marginally from RM134.8 million previously to RM138.0 million for CAPEX requirements, net gearing remained within comfortable range of 0.2 time as at 31 July 2012.

DIVIDENDS

With this commendable financial report card and stable financial position, the Board continued its dividend practice in the year under review.

To this end, VS has paid four interim single-tier dividends totalling 15.0 sen in respect of FY2012. This consists of 5.0 sen per share paid on 31 January 2012 and 2.0 sen per share on 3 May 2012, followed by 2.0 sen per share on 31 July 2012, and 6.0 sen per share on 25 October 2012.

This translates into total dividend payout of RM27.2 million, representing 70.4% of group net profits, beyond the stated dividend policy of at least 40% payout and marking another record-high for the Group.

CONT'D

LETTER TO SHAREHOLDERS

At this juncture, we would like to thank our shareholders for their constant support and loyalty to the Group through thick and thin.

FUTURE PROSPECTS

Going forward, EMS players face a dampened outlook, what with the elusive recovery of the global economy and dwindling end-user demand.

In this respect, it is imperative that EMS players become more innovative in product design, establish higher value-added production processes, and keep an eye on optimising costs in order to survive this tumultuous period.

Therefore, VS intends to maintain our two-pronged approach to serve existing customers in increasing measure, as well as continuously explore opportunities to expand our clientele for long-term sustainability.

The Board remains resolute in doing our utmost best to steer the Group safely in this journey whilst setting benchmarks in the industry.

CORPORATE GOVERNANCE

The Board endeavours to comply with best practices under the Malaysian Code on Corporate Governance to increase and protect shareholders' value for the long term. To this end, the Board implements a sound system of corporate governance within its day-to-day operations to establish a strong platform for sustainable growth.

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

CORPORATE RESPONSIBILITY ("CR")

VS has incorporated various CR efforts within the Group to ensure a more comfortable working environment for our employees and benefit the larger society. This includes implementing sustainable and "green" policies in our procurement and manufacturing activities, as well as monitoring noise, waste water and air pollution levels within our operations.

We will continue to seek out measures to enhance our CR practices.

ACKNOWLEDGEMENTS

VS' laudable performance in FY2012 would not have been possible without the dedication and focused efforts of the management team and employees. For this, the Board of Directors would like to record our gratitude.

We would also like to thank our esteemed customers, shareholders, business associates, suppliers, bankers and regulatory authorities for their support.

Beh Kim Ling
Chairman

FACE-TO-FACE WITH THE MANAGEMENT

What were the highlights of the Group's performance in FY2012?

Though an arduous journey, FY2012 was by and large a momentous year for VS.

Not only did we reach the billion-Ringgit revenue mark once again, but we also reaffirmed our global standing by making it once more into the list of the world's top 50 EMS players – VS' achievement for the fifth consecutive year since 2007. In fact, the VS' global ranking advanced to 32nd position in 2011, up 8 notches from 40th spot in the previous year.

Furthermore, the Group's efforts to expand our clientele in recent years had paid off in the year under review.

Our manufacturing plants in Malaysia and Indonesia received higher sales orders from a well-diversified customer base. These include renowned international brands in high-value household and commercial electronics such as vacuum cleaners, touchscreen displays, and single-cup coffee brewers, amongst others.

To cater to the increased clientele and ensure sufficient capacity for future growth, the year under review also saw VS investing substantial capital expenditure (CAPEX) into expanding its operations capacity. To this end, the Group invested RM30 million in CAPEX in FY2012 for a new production facility in Senai, Johor, which raised VS's overall production space to encompass nearly 120,000 sq m2.

It is envisaged that the culmination of these factors – expanded production capacity, increased customer base and prominent profile in the global EMS industry – will assist VS in facing the tough landscape ahead.

What is the progress of your associated company V.S. International Group Limited ("VSIG") in China in the year under review?

VSIG continued to undertake its rationalization exercise in FY2012, with a view to optimise its cost structure and achieve improved operations efficiency across its manufacturing plants.

Nonetheless, its efforts were hampered by the largely depressing backdrop in China's EMS industry, attributable mainly to reduced demand from customers and end-users from uncertain global economic prospects, as well as rising production overheads from labour costs and other aspects.

Unsurprisingly, these factors resulted in a sharply-keener competitive environment amongst EMS players in China, which adversely impacted the progress of VSIG's recuperative efforts.

As a result, while VSIG posted group revenues amounting to HKD1.5 billion in FY2012, versus HKD1.6 billion in the previous financial year, it recorded group net losses of HKD73.8 million, from HKD61.0 million previously, due largely to non-operating losses of HKD18.3 million from disposal of fixed assets and foreign exchange, which were offset by interest income and other income.

That said, the management recognizes the importance of maintaining its presence in the world's manufacturing hub so as to continue serving its loyal customers. Therefore, we remain committed to seeing through the rationalization exercise to enable in VSIG find equilibrium in the most urgent timeframe.

FACE-TO-FACE WITH THE MANAGEMENT

What are your thoughts on the sectoral outlook and VS' aspirations in the coming financial year?

At the time of writing, the global economy is continuing to waddle through a period of instability, led principally by the still-unresolved crises in the Eurozone and the US markets.

At the macro level, it is no surprise that this might result in a heightened degree of caution in businesses' investment spending and a possible slowdown in consumers' consumption habits worldwide.

Closer to home, the Malaysian EMS landscape is likely to face similar challenges in terms of contracted demand from customers in anticipation of slower uptake from end-users, as well as increased competition. Furthermore, the entire manufacturing sector in the country will also bear the impact of the Government's proposed minimum wage policy beginning in January 2013.

Despite these demanding circumstances, VS plans to sustain the implementation of required strategies to achieve a sustainable business for the long haul.

This includes cultivating a growing base of key customers, both by serving our existing clients to the best of our ability, as well as endeavouring to attract new ones into the fold. We are heartened by the progress made in recent years, and believe that such initiatives will benefit the Group in the long term.

At the same time, we will continue to invest the necessary CAPEX so as to further move up the value-chain of production capabilities. This is particularly true for our Indonesian manufacturing plant, in which we intend to add plastic-injection capabilities to be a more integrated EMS player and thus better serve our customers.

Through the past three decades, we at VS have endured numerous economic cycles and other fundamental challenges in the global EMS industry. The challenges in the horizon are no different, and we hope to count on the continued support of our stakeholders as we embark on this journey in the upcoming year.

"Excellent firms don't believe in excellence - only in constant improvement and constant change."

– **Tom Peters**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting ("30th 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, 3 January 2013 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 2012 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 2012. ***RESOLUTION 1***

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

   (a) Mr Gan Sem Yam - Article 93 ***RESOLUTION 2***
   (b) Mr Gan Tiong Sia - Article 93 ***RESOLUTION 3***
   (c) Mr Pan Swee Keat - Article 93 ***RESOLUTION 4***

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

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.

CONT'D

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

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

whichever is the earliest but not so as to prejudice the completion of purchase of own shares by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors deem fit, necessary or expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full power to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities." ***RESOLUTION 7***

7. **ORDINARY RESOLUTION**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Beh Kim Ling, Gan Sem Yam, Beh Chu Hiok and Gan Siew Tang ("Proposed Renewal of Shareholders' Mandate for RRPTs with Beh Kim Ling, Gan Sem Yam, 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 Beh Kim Ling, Gan Sem Yam, Beh Chu Hiok and Gan Siew Tang as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 29 November 2012, 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 Beh Kim Ling, Gan Sem Yam, Beh Chu Hiok and Gan Siew Tang during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Beh Kim Ling, Gan Sem Yam, Beh Chu Hiok and Gan Siew Tang is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Beh Kim Ling, Gan Sem Yam, Beh Chu Hiok and Gan Siew Tang is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." ***RESOLUTION 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 29 November 2012, 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;

CONT'D

NOTICE OF ANNUAL GENERAL MEETING

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

whichever is the earlier;

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

9. **ORDINARY RESOLUTION**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Firstclass Returns Sdn Bhd ("Proposed Renewal of Shareholders' Mandate for RRPTs with Firstclass Returns Sdn Bhd")

"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 Firstclass Returns Sdn Bhd as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 29 November 2012, 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 Firstclass Returns Sdn Bhd during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Firstclass Returns Sdn Bhd is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Firstclass Returns Sdn Bhd is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." ***RESOLUTION 10***

10. **ORDINARY RESOLUTION**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with 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 29 November 2012, 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 11***

CONT'D

NOTICE OF ANNUAL GENERAL MEETING

11. **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 29 November 2012, 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 12***

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***

NOTICE OF ANNUAL GENERAL MEETING

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. **SPECIAL RESOLUTION**
Proposed Amendments to Articles of Association of the Company

"That the Proposed Amendments to the Company's Articles of Association as set out in Appendix I, Part C, the Circular to the Shareholders of VSI dated 29 November 2012 be and are hereby approved and adopted AND THAT the Directors and Secretary of the Company be and are hereby authorised take all steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments to the Company's Articles of Association." ***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 30th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 24 December 2012. Only a depositor whose name appears on the Record of Depositors as at 24 December 2012 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 KIOW
Secretaries

Johor Bahru
29 November 2012

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 a proxy 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.

   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.

CONT'D

NOTICE OF ANNUAL GENERAL MEETING

(While pending the proposed amendments to VSI's Articles of Association to be approved at its 30th AGM, VSI expressly allow where a member/shareholder is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991("SICDA") which holds ordinary shares in VSI 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.)

iv. 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 30th AGM are stated in the Statement Accompanying the Notice of Thirtieth Annual General Meeting set out on page 23 of the 2012 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 29 November 2012 accompanying the Company's 2012 Annual Report.

iii. Proposed 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 29 November 2012. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information on the Proposed Renewal of Shareholders' Mandate for RRPTs, please refer to the Circular to Shareholders dated 29 November 2012 which was circulated together with the 2012 Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

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

(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 30th AGM, he has served the Company for 16 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 30th AGM, he has served the Company for 11 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.

v. **Proposed Amendments to Articles of Association of the Company (hereinafter referred to as "the Proposed Amendments")**

The Proposed Amendments are to streamline the Company's Articles of Association to be aligned with the amendments to the MMLR.

Please refer to Part C, the Circular to Shareholders dated 29 November 2012 for more information.

STATEMENT ACCOMPANYING NOTICE OF THIRTIETH 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)	Mr Gan Sem Yam	- Article 93	***RESOLUTION 2***
(b)	Mr Gan Tiong Sia	- Article 93	***RESOLUTION 3***
(c)	Mr Pan Swee Keat	- Article 93	***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 pages 24 to 26 and page 125 of the Annual Report respectively.

DIRECTORS' PROFILE

Beh Kim Ling,
Executive Chairman

Beh Kim Ling, aged 54, 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, Mdm. 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. Mr. Beh is the brother-in-law to Mr. Gan Sem Yam and Mr. Gan Tiong Sia. Mr. Beh has no other conflict of interest with the Group except for those transactions as disclosed in Note 27 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

Gan Sem Yam,
Managing Director

Gan Sem Yam, aged 56, 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.

Mr. 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. Mr. Gan is the brother to Mdm. Gan Chu Cheng and Mr. Gan Tiong Sia and brother-in-law to Mr. Beh Kim Ling. Mr. Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 27 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

DIRECTORS' PROFILE

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

Dato' Sri Nadzmi, aged 58, 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.

Gan Chu Cheng,
Executive Director

Gan Chu Cheng, aged 58, 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, Mdm. 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. Mdm. Gan is the wife of Mr. Beh Kim Ling and sister to Mr. Gan Sem Yam and Mr. Gan Tiong Sia. Mdm. Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 27 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 52, 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 Mdm. Gan Chu Cheng and Mr. Gan Sem Yam and brother-in-law to Mr. Beh Kim Ling. Mr. Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 27 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

CONT'D
DIRECTORS' PROFILE

Ng Yong Kang,
Executive Director

Ng Yong Kang, aged 51, 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 49, 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.

DIRECTORS' PROFILE

Tang Sim Cheow,
Independent Non-Executive Director

Tang Sim Cheow, aged 53, 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 Madam Gan Chu Cheng

Chang Tian Kwang, aged 47, 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 best practices of the Malaysian Code on Corporate Governance ("the Code").

A. BOARD OF DIRECTORS

1. The Board

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.

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.

2. Board Balance

The Board currently comprise five (5) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Alternate Director. This complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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 has appointed Dato' Sri Mohd Nadzmi Bin Mohd Salleh as the Senior Independent Non-Executive Director to whom concerns may be conveyed. The Board is satisfied that the current Board composition reflects the interest of minority shareholders of the Company.

3. Board Meetings

During the financial year ended 31 July 2012, 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
Beh Kim Ling	4/4
Gan Sem Yam	4/4
Gan Chu Cheng	4/4
Gan Tiong Sia	4/4
Ng Yong Kang	4/4
Dato' Sri Mohd Nadzmi bin Mohd Salleh	4/4
Pan Swee Keat	4/4
Tang Sim Cheow	4/4

3. Board Meetings (cont'd)

All Directors have complied with the minimum attendance at Board meetings as stipulated by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

4. Board Committee

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

5. Supply of Information

Scheduled Board meetings are structured with a pre-set agenda. The Board receives Board papers on the matters requiring its consideration prior to and in advance of each meeting. 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.

6. Appointment to the Board

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

The membership of the Nomination Committee are as follows:

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

The Nomination Committee consists of majority but not exclusively Non-Executive Directors as recommended by the Code. The Board is of the opinion that the Managing Director, Mr. Gan Sem Yam 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 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.

CONT'D

CORPORATE GOVERNANCE STATEMENT

7. Directors' Training

All Directors have completed the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad. During the financial year, the Directors have attended seminars and briefings to better enable them to fulfill their responsibilities and update themselves on the new developments relating to corporate governance, leadership management, investment management, business environment, financial and taxation except for Mr Beh Kim Ling and Mr Gan Tiong Sia who were unable to attend any training programme due to tight business schedule.

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.

8. Re-election

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.

B. DIRECTORS' REMUNERATION

1. Remuneration Committee

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

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

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

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

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

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

2. Details of the Directors' remuneration

Details of the nature and the amount of the Directors' remuneration paid or payable by the Group for the financial year ended 31 July 2012 are as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Basic Salary	6,730	-	6,730
Bonus	1,872	-	1,872
Performance Incentive (inclusive EPF)	5,000*	-	5,000
Allowance	710	-	710
EPF	963	-	963
Socso	2	-	2
Benefits-in-kind	123	-	123
Fees	114	298	412
	15,514	298	15,812

* The Executive Directors resolved to allocate RM2.0 million out of their entitlement under the Performance Incentive Scheme to the management staff. The above figure is net of RM2.0 million waived by the Executive Directors.

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

Range of Remuneration	Number of Directors Executive	Number of Directors Non-Executive
RM 50,001 to RM 100,000	-	2
RM 100,001 to RM 150,000	-	1
RM1,500,001 to RM1,550,000	1	-
RM1,700,001 to RM1,750,000	1	-
RM2,600,001 to RM2,650,000	1	-
RM2,750,001 to RM2,800,000	1	-
RM3,100,001 to RM3,150,000	1	-
RM3,700,001 to RM3,750,000	1	-
	6	3

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

C. SHAREHOLDERS

1. Dialogue between Companies and Investors

The Company recognises the importance of maintaining effective communication with its investors and shareholders and does this through the annual report, announcement to the Bursa Malaysia Securities Berhad, Company website and analyst meetings.

1. Dialogue between Companies and Investors (cont'd)

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.

2. Annual General Meeting

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.

D. ACCOUNTABILITY AND AUDIT

1. 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.

2. Directors' Responsibilities Statement in respect of the preparation of the Audited Financial Statements

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 ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgment and estimates.

3. Internal Control

The Directors are fully aware of their responsibilities to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Directors' responsibilities for the Group's system of internal controls cover not only the financial aspect but also operational and compliance controls as well as risk management.

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

4. Relationship with the Auditors

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 2012.

A summary of the activities of the Audit Committee during the year are set out in the Audit Committee report on page 35 to 38 of the Annual Report.

E. OTHER INFORMATION

1. Material Contracts

Other than the related party transactions entered into in the ordinary course of business as disclosed in Note 27 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 2012 or entered into since the end of the previous financial year.

2. Non-Audit Fees

During the financial year ended 31 July 2012, the non-audit fee incurred for services rendered to the Group by the Company's external auditors amounted to RM9,000.

3. Share Buy-back

Details of share repurchased during the financial year ended 31 July 2012 are as follows:

Month	No of shares repurchased	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration paid (RM)
September 2011	159,600	1.35	1.42	1.40	223,637
December 2011	132,300	1.41	1.52	1.48	195,151
February 2012	29,500	1.56	1.58	1.58	46,600
March 2012	29,900	1.58	1.62	1.62	48,395
	351,300				513,783

As at the end of the financial year, a total of 1,104,336 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.

4. Employees' Share Option Scheme

The Company has one Employees' Share Option Scheme ("ESOS") in existence during the financial year. Details of the scheme since 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)	(5,667)	(6,547)
Total options outstanding	3,620	16,011	19,631

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.

CONT'D

CORPORATE GOVERNANCE STATEMENT

5. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting held on 3 January 2012, 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 9 December 2011.

In accordance with Section 3.1.5 of Practice Note No. 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 July 2012 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 Beh Kim Ling	Beh Kim Ling	Rental of two (2) units of single storey terrace houses to VSI as hostel	12
VSI and Gan Sem Yam	Gan Sem Yam	Rental of one (1) unit of condominium to VSI as hostel	31
VSI and Beh Chu Hiok	Beh Kim Ling Gan Chu Cheng 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	Beh Kim Ling Gan Chu Cheng 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	Beh Kim Ling Gan Chu Cheng Gan Sem Yam Gan Tiong Sia	Purchases of tooling, bins, resins, plastic component parts and equipments	5,292
VSI Group and VSIG Group	Beh Kim Ling Gan Chu Cheng Gan Sem Yam Gan Tiong Sia	Sales of resins, plastic component parts, equipments and sales commission income	25
VSI Group and Lip Sheng International Ltd / Lip Sheng Precision (Zhuhai) Co., Ltd	Beh Kim Ling Gan Chu Cheng Gan Sem Yam Gan Tiong Sia	Purchases of tooling, sales related to tooling fabrication Sales commission income	2,537 1,151
VSI Group and Firstclass Returns Sdn Bhd	Beh Kim Ling Gan Sem Yam	Rental of factory premises	233
VSI Group and Inabata Group	Inabata & Co., Ltd	Purchases of resins and equipments	4,581

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*

AUDIT COMMITTEE REPORT

MEMBERSHIP

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

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

MEETINGS

During the financial year ended 31 July 2012, 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	4/4

SUMMARY OF ACTIVITIES

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

i. Reviewed the quarterly unaudited financial results and announcement prior to recommending the same for the Board's approval.
ii. Reviewed the external auditors' scope of work and audit plan for the financial year 2012.
iii. Reviewed with the external auditors the results of the audit, the audit report and the management letter.
iv. Reviewed the internal audit planning and internal audit reports.
v. Reviewed the related party transactions entered into by the Group.

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 RM509,000.

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

CONT'D

AUDIT COMMITTEE REPORT

TERMS OF REFERENCE

1. Objectives

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

In addition, the Audit Committee shall:

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

2. Composition

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

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

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

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

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

3. Functions

The functions of the Audit Committee are as follows:

a) To review the following and report the same to the Board of Directors:
   i) with the external auditors, the audit plan;
   ii) with the external auditors, his evaluation of the system of internal controls;
   iii) with the external auditors, his audit report;
   iv) the assistance given by the Company's employees to the external auditors; and
   v) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

b) To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;

c) To discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;

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

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

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

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

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

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

CONT'D

AUDIT COMMITTEE REPORT

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 OF 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 internal control in the Group during the financial year.

BOARD'S RESPONSIBILITY

The Board is ultimately responsible for the Group's systems of internal control which includes the establishment of an effective control environment and appropriate internal control framework as well as to review its adequacy and integrity. Due to limitations inherent in any systems of internal control, it is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Therefore, the system can only provide a reasonable and not absolute degree of assurance that assets are safeguarded against material loss or misstatement.

RISK MANAGEMENT FRAMEWORK

The Board confirms that there is an on-going process of identifying, evaluating, monitoring and managing the significant risks faced by the Group for the financial year under review, and the Board reviews the process.

As part of the commitment to manage risks, a Risk Management Committee ("RMC") is in place to identify risks and to ensure the implementation of adequate control systems to mitigate significant risks faced by the Group not including joint ventures and associates.

In discharging its stewardship responsibilities, the Board recognizes that risk management within the V.S. Industry Berhad and its subsidiary companies:

- should be an integral part of the Group's cultures;
- is a continuous on-going process; and
- is a logical and systematic method of identifying, measuring and managing the Group's risks.

INTERNAL AUDIT DEPARTMENT

The Internal Auditors report to the Audit Committee on quarterly basis. Annual internal audit plan was presented to the Audit Committee for approval prior to the commencement of the internal audit work.

The principal responsibility of the Internal Audit Department is to undertake regular and systematic 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.

CONT'D

STATEMENT OF INTERNAL CONTROL

The activities that were carried out by Internal Audit Department are as follows:

- 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.

FINANCIAL CONTENTS

DIRECTORS' REPORT

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 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of those relating to the investment holding and manufacturing, assembling and sale of electronic and electrical products and plastic moulded components and parts. The principal activities of its subsidiaries are disclosed in Note 5 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	38,615	40,703
Non-controlling interests	(1,742)	--
	36,873	40,703

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 3 sen per ordinary share of RM1.00 each totalling RM5,442,422 in respect of the year ended 31 July 2011 on 28 October 2011;

ii) paid a first interim single tier dividend of 5 sen per ordinary share of RM1.00 each totalling RM9,064,088 in respect of the year ended 31 July 2012 on 31 January 2012;

iii) paid a second interim single tier dividend of 2 sen per ordinary share of RM1.00 each totalling RM3,624,447 in respect of the year ended 31 July 2012 on 3 May 2012;

iv) paid a third interim single tier dividend of 2 sen per ordinary share of RM1.00 each totalling RM3,624,447 in respect of the year ended 31 July 2012 on 31 July 2012; and

v) declared a fourth interim single tier dividend of 6 sen per ordinary share of RM1.00 each totalling RM10,873,342 in respect of the year ended 31 July 2012 on 27 September 2012. This dividend was paid on 25 October 2012.

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

DIRECTORS' REPORT

DIRECTORS OF THE COMPANY

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

Directors	Alternate
Mr. Beh Kim Ling	
Mdm. Gan Chu Cheng	Mr. Chang Tian Kwang
Mr. 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	

DIRECTORS' INTERESTS IN SHARES

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

		Number of ordinary shares ('000)			
Name of Directors	**Interest**	**At 1 August 2011**	**Bought**	**Sold**	**At 31 July 2012**
Company					
Ordinary shares of RM1.00 each					
Mr. Beh Kim Ling	Direct	31,606	--	--	31,606
	Deemed	24,516	13	--	24,529
Mdm. Gan Chu Cheng	Direct	24,380	--	--	24,380
	Deemed	31,742	13	--	31,755
Mr. Gan Sem Yam	Direct	13,054	--	--	13,054
	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***					
Mr. Beh Kim Ling	Direct	3	--	--	3
	Deemed	90	--	--	90
Mdm. Gan Chu Cheng	Direct	3	--	--	3
	Deemed	90	--	--	90
Mr. Gan Sem Yam	Direct	3	--	--	3
Mr. Gan Tiong Sia	Direct	3	--	--	3

CONT'D
DIRECTORS' REPORT

Name of Directors	Interest	Number of ordinary shares ('000) At 1 August 2011	Bought	Sold	At 31 July 2012
- V.S. Ashin Technology Sdn. Bhd. Ordinary shares of RM1.00 each					
Mr. Beh Kim Ling	Deemed	4,480	--	--	4,480
Mdm. Gan Chu Cheng	Direct	672	--	--	672
	Deemed	3,808	--	--	3,808
Mr. Gan Sem Yam	Direct	747	--	--	747
- V.S. Plus Sdn. Bhd. Ordinary shares of RM1.00 each					
Mr. Beh Kim Ling	Deemed	49,625	--	--	49,625
Mdm. Gan Chu Cheng	Deemed	49,625	--	--	49,625
- VS Marketing & Engineering Pte. Ltd. Ordinary shares of SGD1.00 each					
Mr. Beh Kim Ling	Deemed	102	--	--	102
Mdm. Gan Chu Cheng	Deemed	102	--	--	102
- PT. GY Plantation Indonesia Ordinary shares of USD1.00 each					
Mr. Beh Kim Ling	Deemed	10,350	--	(10,350)	--
Mdm. Gan Chu Cheng	Direct	2,400	--	(2,400)	--
	Deemed	7,950	--	(7,950)	--
Mr. Gan Sem Yam	Direct	3,450	--	(3,450)	--
Mr. Gan Tiong Sia	Direct	300	--	(300)	--

Name of Directors	Number of options over ordinary shares of RM1.00 each ('000) At 1 August 2011	Granted and accepted	Exercised	At 31 July 2012
Mr. Beh Kim Ling	560	--	--	560
Mdm. Gan Chu Cheng	560	--	--	560
Mr. 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

By virtue of their substantial shareholdings in the Company, Mr. Beh Kim Ling and Mdm. 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 5 to the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except as disclosed in Note 27 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 issuance of the Employees' Share Option Scheme ("ESOS") of the Company.

ISSUE OF SHARES

At the Annual General Meeting held on 3 January 2012, the shareholders of the Company renewed their approval for the Company to repurchase its own shares. During the financial year, the Company repurchased in the open market a total of 351,300 of its issued ordinary shares. The average repurchase price was RM1.46. 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.

CONT'D
DIRECTORS' REPORT

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

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

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

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

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

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

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

		Number of options over ordinary shares of RM1.00 each ('000)				
Date of offer	**Exercise price**	**At 1 August 2011**	**Granted**	**Exercised**	**Forfeited**	**At 31 July 2012**
19 November 2010	RM1.54	20,863	--	--	(1,232)	19,631

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of comprehensive income 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.

DIRECTORS' REPORT

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 July 2012 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:

Gan Sem Yam

Gan Tiong Sia

Johor Bahru,

23 November 2012

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 51 to 118, are drawn up in accordance with 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 2012 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 28 on page 119 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:

Gan Sem Yam

Gan Tiong Sia

Johor Bahru,

23 November 2012

STATUTORY DECLARATION

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

I, **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 51 to 119 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 23 November 2012.

Gan Chu Cheng

Before me:
K. Amudalingam (No: J-133)
PLP, PIS, PPN
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 2012 of the Group and of the Company, and the statements of 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 51 to 118.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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 have been properly drawn up in accordance with 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 of 31 July 2012 and of their financial performance and cash flows for the year then ended.

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 all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

CONT'D

INDEPENDENT AUDITORS' REPORT

to the members of V. S. Industry Berhad

Report on Other Legal and Regulatory Requirements (cont'd)

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

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

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 28 on page 119 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 Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Wee Beng Chuan
Approval Number: 2677/12/12 (J)
Chartered Accountant

Johor Bahru
23 November 2012

STATEMENTS OF FINANCIAL POSITION
As at 31 July 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Assets					
Property, plant and equipment	3	274,520	264,552	101,798	103,999
Investment properties	4	9,300	9,300	7,000	7,000
Investments in subsidiaries	5	--	--	128,535	114,455
Investments in associates	6	86,337	91,977	25,265	25,265
Total non-current assets		370,157	365,829	262,598	250,719
Inventories	7	104,577	87,227	42,952	39,320
Trade and other receivables	8	317,572	203,250	238,050	144,466
Assets classified as held for sale	9	--	42,831	--	--
Cash and cash equivalents	10	58,680	71,853	9,036	43,444
Total current assets		480,829	405,161	290,038	227,230
Total assets		850,986	770,990	552,636	477,949
Equity					
Share capital	11	182,327	182,327	182,327	182,327
Reserves	11	225,164	222,582	99,983	79,204
Amount recognised directly in equity relating to asset held for sale	9	--	(15,525)	--	--
Total equity attributable to owners of the Company		407,491	389,384	282,310	261,531
Non-controlling interests		430	13,612	--	--
Total equity		407,921	402,996	282,310	261,531
Liabilities					
Long term payables	12	4,322	4,322	--	--
Loans and borrowings	13	34,592	29,509	2,706	6,854
Deferred tax liabilities	14	27,046	26,038	12,334	12,639
Total non-current liabilities		65,960	59,869	15,040	19,493
Trade and other payables	15	272,544	181,780	208,193	124,085
Loans and borrowings	13	103,416	105,320	45,787	69,892
Taxation		1,145	3,769	1,306	2,948
Liabilities classified as held for sale	9	--	17,256	--	--
Total current liabilities		377,105	308,125	255,286	196,925
Total liabilities		443,065	367,994	270,326	216,418
Total equity and liabilities		850,986	770,990	552,636	477,949

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

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 July 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Continuing operations					
Revenue					
Goods sold		1,201,992	1,026,818	867,087	747,463
Cost of goods sold		(1,055,020)	(879,318)	(774,240)	(647,297)
Gross profit		146,972	147,500	92,847	100,166
Other income		3,612	6,048	15,951	5,186
Distribution expenses		(24,607)	(25,548)	(20,412)	(21,718)
Administrative expenses		(55,617)	(52,498)	(32,719)	(32,091)
Other expenses		(3,572)	(8,165)	(2,622)	(18,115)
Results from operating activities		66,788	67,337	53,045	33,428
Interest income		942	756	385	505
Finance costs	16	(5,859)	(6,239)	(2,958)	(3,715)
Net finance costs		(4,917)	(5,483)	(2,573)	(3,210)
Operating profit	17	61,871	61,854	50,472	30,218
Share of loss of equity accounted associate, net of tax		(13,080)	(10,491)	--	--
Profit before tax		48,791	51,363	50,472	30,218
Income tax expense	18	(15,253)	(15,875)	(9,769)	(11,166)
Profit from continuing operations		33,538	35,488	40,703	19,052
Discontinued operation					
Profit/(Loss) from discontinued operation, net of tax	9	3,335	(14,052)	--	--
Profit for the year		36,873	21,436	40,703	19,052
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(809)	(1,120)	--	--
Total comprehensive income for the year		36,064	20,316	40,703	19,052

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

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 July 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit attributable to:					
Owners of the Company		38,615	27,721	40,703	19,052
Non-controlling interests		(1,742)	(6,285)	--	--
Profit for the year		36,873	21,436	40,703	19,052
Total comprehensive income attributable to:					
Owners of the Company		37,782	27,136	40,703	19,052
Non-controlling interests		(1,718)	(6,820)	--	--
Total comprehensive income for the year		36,064	20,316	40,703	19,052
Basic earnings/(loss) per ordinary share (sen)	19				
- from continuing operations		19.46	19.53		
- from discontinued operation		1.84	(4.19)		
		21.30	15.34		
Diluted earnings per ordinary share (sen)	19				
- from continuing operations		--	19.19		
- from discontinued operation		--	(4.11)		
		--	15.08		

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2012

		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	Assets held for sale RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group													
At 1 August 2010		179,702	--	48,353	8,186	9,121	513	(516)	129,228	--	374,587	19,242	393,829
Profit for the year		--	--	--	--	--	--	--	35,280	(7,559)	27,721	(6,285)	21,436
Reclassification to assets held for sale		--	--	--	2,812	--	--	--	4,594	(7,406)	--	--	--
Realisation of revaluation reserve		--	--	(835)	--	--	--	--	835	--	--	--	--
Foreign currency translation differences for foreign operations		--	--	--	(25)	--	--	--	--	(560)	(585)	(535)	(1,120)
Total comprehensive (expense)/ income for the year		--	--	(835)	2,787	--	--	--	40,709	(15,525)	27,136	(6,820)	20,316
Shares buy back		--	--	--	--	--	--	(469)	--	--	(469)	--	(469)
Equity settled share based transaction	11												
- Share option granted		--	--	--	--	--	3,730	--	--	--	3,730	147	3,877
- Share option granted in an associate		--	--	--	--	--	308	--	--	--	308	--	308
- Share option exercised		--	963	--	--	--	(963)	--	--	--	--	--	--
- Shares issued		2,625	1,418	--	--	--	--	--	--	--	4,043	--	4,043
Increase in share capital of a subsidiary		--	--	--	--	--	--	--	--	--	--	1,043	1,043
Dividends to owners of the Company	20	--	--	--	--	--	--	--	(19,951)	--	(19,951)	--	(19,951)
At 31 July 2011		182,327	2,381	47,518	10,973	9,121	3,588	(985)	149,986	(15,525)	389,384	13,612	402,996

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

CONT'D

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2012

	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	Assets held for sale RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Attributable to owners of the Company									→		
		← Non-distributable						→	← Distributable →				
Group													
At 1 August 2011		182,327	2,381	47,518	10,973	9,121	3,588	(985)	149,986	(15,525)	389,384	13,612	402,996
Profit for the year		--	--	--	--	--	--	--	38,615	--	38,615	(1,742)	36,873
Disposal of assets held for sale		--	--	--	--	--	--	--	(15,525)	15,525	--	(11,547)	(11,547)
Realisation of revaluation reserve		--	--	(890)	--	--	--	--	890	--	--	--	--
Transferred from retained earnings		--	--	--	--	275	--	--	(275)	--	--	--	--
Foreign currency translation differences for foreign operations		--	--	--	(833)	--	--	--	--	--	(833)	24	(809)
Total comprehensive (expense)/ income for the year		--		(890)	(833)	275	--	--	23,705	15,525	37,782	(13,265)	24,517
Shares buy back		--	--	--	--	--	--	(514)	--	--	(514)	--	(514)
Equity settled share based transaction	11												
- Share option granted		--	--	--	--	--	2,243	--	--	--	2,243	83	2,326
- Share option granted in an associate		--	--	--	--	--	351	--	--	--	351	--	351
- Share option lapsed in an associate		--	--	--	--	--	(279)	--	279	--	--	--	--
Dividends to owners of the Company	20	--	--	--	--	--	--	--	(21,755)	--	(21,755)	--	(21,755)
At 31 July 2012		182,327	2,381	46,628	10,140	9,396	5,903	(1,499)	152,215	--	407,491	430	407,921

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

CONT'D

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2012

		Attributable to owners of the Company						
		Non-distributable					Distributable	
	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Employee Share-based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Company								
At 1 August 2010		179,702	--	16,815	--	(516)	58,978	254,979
Profit for the year		--	--	--	--	--	19,052	19,052
Realisation of revaluation reserve		--	--	(375)	--	--	375	--
Total comprehensive (expense)/income for the year		--	--	(375)	--	--	19,427	19,052
Shares buy back		--	--	--	--	(469)	--	(469)
Equity settled share-based transaction	11							
- Share option granted		--	--	--	3,877	--	--	3,877
- Share option exercised		--	963	--	(963)	--	--	--
- Shares issued		2,625	1,418	--	--	--	--	4,043
Dividends to owners of the Company	20	--	--	--	--	--	(19,951)	(19,951)
At 31 July 2011		182,327	2,381	16,440	2,914	(985)	58,454	261,531
Profit for the year		--	--	--	--	--	40,703	40,703
Realisation of revaluation reserve		--	--	(375)	--	--	375	--
Total comprehensive (expense)/income for the year		--	--	(375)	--	--	41,078	40,703
Shares buy back		--	--	--	--	(514)	--	(514)
Equity settled share-based transaction	11							
- Share option granted		--	--	--	2,345	--	--	2,345
Dividends to owners of the Company	20	--	--	--	--	--	(21,755)	(21,755)
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.

STATEMENTS OF CASH FLOWS

For the year ended 31 July 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities					
Profit before tax:					
- continuing operations		48,791	51,363	50,472	30,218
- discontinued operation	9	(612)	(14,204)	--	--
		48,179	37,159	50,472	30,218
Adjustments for:-					
Depreciation	3	28,487	28,375	9,582	9,822
Interest expense	16	5,557	5,977	2,890	3,653
Share of loss in associates		13,080	10,491	--	--
Impairment loss on:					
- investments in associates		--	798	--	2,943
- biological assets		--	10,603	--	--
Equity settled share-based transactions		2,340	3,877	1,481	2,070
(Reversal of)/Impairment loss on receivables:					
- continuing operations		(172)	319	--	12,155
- discontinued operation		--	4,216	--	--
Interest income		(942)	(756)	(385)	(505)
Property, plant and equipment:					
- Written off		92	95	4	95
- Gain on disposal		(351)	(379)	(256)	(454)
Reversal of impairment loss on investments in subsidiaries		--	--	(6,841)	(1,996)
Unrealised (gain)/loss on foreign exchange		(696)	1,616	(594)	2,226
Operating profit before changes in working capital		95,574	102,391	56,353	60,227
Change in inventories		(17,360)	(10,234)	(3,632)	3,718
Change in trade and other receivables		(115,882)	(12,432)	(108,243)	24,078
Change in trade and other payables		87,731	29,283	82,254	8,074
Cash generated from operations		50,063	109,008	26,732	96,097
Interest received		917	634	360	383
Tax paid		(16,869)	(15,365)	(11,716)	(13,546)
Net cash from operating activities		34,111	94,277	15,376	82,934

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

CONT'D

STATEMENTS OF CASH FLOWS

for the year ended 31 July 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash flows from investing activities					
Acquisition of:					
- biological assets		--	(3,627)	--	--
- property, plant and equipment	21	(40,360)	(39,641)	(6,375)	(7,123)
Investments in subsidiaries		--	--	(6,375)	(30,000)
Investments in associates		--	(8,871)	--	(8,871)
Proceeds from disposal of:					
- property, plant and equipment		3,103	2,462	1,550	1,443
- a subsidiary	9	12,551	--	--	--
Interest received		25	122	25	122
Loans to subsidiaries		--	--	12,902	4,655
Repayment of loan to associates		1,899	2,691	1,899	2,691
Net cash (used in)/from investing activities		(22,782)	(46,864)	3,626	(37,083)
Cash flows from financing activities					
Proceeds from long term borrowings		11,138	14,565	--	549
Repayment of long term borrowings		(10,213)	(19,957)	(9,044)	(10,446)
Payments of finance lease liabilities		(1,927)	(2,586)	(216)	(145)
Net drawdown from short term borrowings		4,089	(11,954)	(18,991)	(18,724)
Interest paid		(5,557)	(5,977)	(2,890)	(3,653)
Repurchase of treasury shares		(514)	(469)	(514)	(469)
Funds from non-controlling interests		--	1,043	--	--
Dividend paid to owners of the Company		(21,755)	(19,951)	(21,755)	(19,951)
Proceeds from issue of share capital		--	4,043	--	4,043
Net cash used in financing activities		(24,739)	(41,243)	(53,410)	(48,796)
Exchange differences on translation of the financial statements of foreign operations		(833)	(585)	--	--

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

STATEMENTS OF CASH FLOWS

for the year ended 31 July 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net (decrease)/increase in cash and cash equivalents		(14,243)	5,585	(34,408)	(2,945)
Cash and cash equivalents at 1 August		71,287	65,723	43,444	46,389
Foreign exchange differences on opening balance		(66)	(21)	--	--
Cash and cash equivalents at 31 July		56,978	71,287	9,036	43,444

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

Cash and bank balances		38,142	52,864	8,873	34,575
Deposits with licensed banks		20,538	18,989	163	8,869
Bank overdrafts		(1,702)	(566)	--	--
		56,978	71,287	9,036	43,444

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 year ended 31 July 2012 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 year ended 31 July 2012 do not include other entities.

The principal activities of the Company consist of those relating to the investment holding and manufacturing, assembling and sale of electronic and electrical products and plastic moulded components and parts. The principal activities of its subsidiaries are disclosed in Note 5.

These financial statements were authorised for issue by the Board of Directors on 23 November 2012.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012
- FRS 124, *Related Party Disclosures (revised)*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*

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

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group's and the Company's financial statements for annual period beginning on 1 August 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

The initial application of a standard which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption other than:

FRS 10, *Consolidated financial statements*

FRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has yet to assess FRS 10's full impact and will be adopting FRS 10 no later than the accounting period beginning on or after 1 August 2013.

CONT'D
NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONT'D)

(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.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs 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(g)(iii) - valuation of investment properties

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(ii) Accounting for 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.

Acquisition on or after 1 August 2010

For acquisitions on or after 1 August 2010, the Group measures goodwill at the acquisition date as:

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

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, 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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and / or future services.

Acquisitions prior to 1 August 2010

For acquisitions prior to 1 August 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

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.

CONT'D

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iii) Accounting for 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 investee.

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.

(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 comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(vi) Non-controlling interests (cont'd)

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

(vii) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. 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 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, except for goodwill and fair value adjustments arising from business combinations before 1 August 2006 which are reported using the exchange rates at the dates of the acquisitions. 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (con'd)

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

Financial assets (cont'd)

(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 held for trading, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (con'd)

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

Financial liabilities (cont'd)

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.

(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.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. 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 the 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 the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

Property, plant and equipment under the revaluation model

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

Surpluses arising from revaluation are dealt with in the property 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.

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

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

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. 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" or "other expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

CONT'D

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Subsequent costs

The cost of replacing a part 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 part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part 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 calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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

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

Leasehold land	30 - 55 years
Buildings	50 years
Plant and machinery	5 - 10 years
Furniture, fittings and renovation	3 - 10 years
Motor vehicles	5 years
Building improvements	5 years

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets (cont'd)

(ii) Operating lease

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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.

(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 investees.

(ii) Amortisation

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.

CONT'D
NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment properties (cont'd)

(i) Investment properties carried at fair value (cont'd)

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

(ii) Reclassification to/from investment property

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

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

(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, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Inventories (cont'd)

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

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

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.

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 in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in 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 equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

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 and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost 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 current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument 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.

(ii) Other assets

The carrying amounts of other assets (except for inventories 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 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 (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (cont'd)

(ii) Other assets (cont'd)

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 or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

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

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Repurchase of share capital

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

Where treasury shares are 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Income tax (cont'd)

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.

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

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

Unutilised reinvestment allowance is treated as tax base of assets and is recognised as a reduction of tax expense as and when they are 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iv) Rental income

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

(o) Borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Employee benefits

(i) Short term employee benefits

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

A liability is recognized 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.

CONT'D
NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee benefits (cont'd)

(iii) Share-based payment transactions (cont'd)

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

(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.

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Capital work -in -progress RM'000	Total RM'000
Group						
At cost/valuation						
At 1 August 2010	143,666	273,908	15,292	7,293	233	440,392
Additions	13,583	13,690	2,021	2,536	7,529	39,359
Disposals	--	(14,058)	(100)	(937)	--	(15,095)
Written off	--	(505)	(102)	(76)	--	(683)
Reclassified to assets held for sale	(1,783)	(15,130)	(54)	(735)	(227)	(17,929)
Exchange differences	(153)	(1,064)	(71)	(81)	(6)	(1,375)
At 31 July 2011/ 1 August 2011	155,313	256,841	16,986	8,000	7,529	444,669
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	(179)	(1,356)	7	(13)	(158)	(1,699)
At 31 July 2012	170,142	260,548	20,448	8,448	6,323	465,909
Representing items at:						
Cost	29,036	260,548	20,448	8,448	6,323	324,803
Directors' valuation	141,106	--	--	--	--	141,106
	170,142	260,548	20,448	8,448	6,323	465,909
Accumulated depreciation						
At 1 August 2010	8,512	145,255	12,001	5,664	--	171,432
Depreciation charge	3,638	23,628	1,424	1,027	--	29,717
Disposals	--	(11,985)	(93)	(934)	--	(13,012)
Written off	--	(412)	(100)	(76)	--	(588)
Exchange differences	(24)	(359)	(53)	(32)	--	(468)
Reclassified to assets held for sale	(30)	(6,566)	(36)	(332)	--	(6,964)
At 31 July 2011/ 1 August 2011	12,096	149,561	13,143	5,317	--	180,117
Depreciation charge	3,871	21,889	1,792	935	--	28,487
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	15,920	155,405	14,684	5,380	--	191,389
Carrying amounts						
At 31 July 2012	154,222	105,143	5,764	3,068	6,323	274,520
At 31 July 2011	143,217	107,280	3,843	2,683	7,529	264,552

CONT'D
NOTES TO THE FINANCIAL STATEMENTS

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
Company						
At cost/valuation						
At 1 August 2010	71,415	70,742	6,884	4,872	--	153,913
Transfer to subsidiaries	--	(312)	(31)	--	--	(343)
Additions	164	2,685	555	1,894	978	6,276
Disposals	--	(3,888)	--	(927)	--	(4,815)
Written off	--	(307)	(63)	(76)	--	(446)
At 31 July 2011/ 1 August 2011	71,579	68,920	7,345	5,763	978	154,585
Transfer to subsidiaries	--	(227)	85	--	--	(142)
Additions	--	4,921	1,805	981	972	8,679
Transfer	1,950	--	--	--	(1,950)	--
Disposals	--	(5,286)	--	(866)	--	(6,152)
Written off	--	--	(130)	--	--	(130)
At 31 July 2012	73,529	68,328	9,105	5,878	--	156,840
Representing items at:						
Cost	2,174	68,328	9,105	5,878	--	85,485
Directors' valuation	71,355	--	--	--	--	71,355
	73,529	68,328	9,105	5,878	--	156,840
Accumulated depreciation						
At 1 August 2010	3,289	31,641	5,937	4,289	--	45,156
Depreciation charge	1,668	7,007	504	643	--	9,822
Transfer to subsidiaries	--	(184)	(31)	--	--	(215)
Disposals	--	(2,899)	--	(927)	--	(3,826)
Written off	--	(214)	(61)	(76)	--	(351)
At 31 July 2011/ 1 August 2011	4,957	35,351	6,349	3,929	--	50,586
Depreciation charge	1,699	6,610	660	613	--	9,582
Transfer to subsidiaries	--	(146)	74	--	--	(72)
Disposals	--	(4,062)	--	(866)	--	(4,928)
Written off	--	--	(126)	--	--	(126)
At 31 July 2012	6,656	37,753	6,957	3,676	--	55,042
Carrying amounts						
At 31 July 2012	66,873	30,575	2,148	2,202	--	101,798
At 31 July 2011	66,622	33,569	996	1,834	978	103,999

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Carrying amounts of land and buildings				
At valuation				
Freehold land	18,829	18,829	12,429	12,429
Long term leasehold land	535	547	--	--
Short term leasehold land	7,866	8,077	--	--
Buildings	98,878	102,092	52,380	54,008
At cost				
Freehold land	3,514	3,514	--	--
Buildings	24,600	10,158	2,064	185
	154,222	143,217	66,873	66,622

Revaluation

Land and buildings were revalued in the financial year ended 31 July 2008 by Directors based on independent professional valuation on the open market value basis carried out on 1 August 2008.

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Long term leasehold land	531	544	--	--
Short term leasehold land	4,277	4,391	159	162
Freehold land	18,220	18,220	11,717	11,717
Buildings	61,297	63,594	32,650	33,978
	84,325	86,749	44,526	45,857

Leased plant and machinery

At 31 July 2012, the net carrying amount of leased plant and equipment of the Group and of the Company was RM4,095,000 (2011: RM9,369,000) and RM331,524 (2011: RM430,983) respectively.

Security

The leased plant and equipment secured the lease obligations (see Note 13).

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

Depreciation charge for property, plant and equipment is allocated as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit or loss				
- continuing operations	28,487	28,074	9,582	9,822
- discontinued operation	--	301	--	--
	28,487	28,375	9,582	9,822
Biological assets	--	1,342	--	--
	28,487	29,717	9,582	9,822

4. INVESTMENT PROPERTIES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 August/31 July	9,300	9,300	7,000	7,000

Investment properties comprise a vacant freehold land and a factory building.

The fair value is determined by the Directors by reference to the valuation conducted in July 2012 by independent professional valuers.

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Rental income	269	268	--	--
Direct operating expenses				
- income generating investment properties	24	25	--	--
- non-income generating investment properties	12	9	12	9

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 RM'000	2011 RM'000
Unquoted shares - at cost	132,105	124,866
Less: Impairment loss	(3,570)	(10,411)
	128,535	114,455

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are shown below:

Name of company	*Principal activities*	*Country of incorporation*	*Effective ownership interest 2012 %*	*Effective ownership interest 2011 %*
V.S. Plus Sdn. Bhd.	Manufacturing, assembly and sale of plastic moulded components and parts, and electrical products	Malaysia	99.25	99.25
V.S. Ashin Technology Sdn. Bhd.	Property letting	Malaysia	54.40	54.40
V.S. Electronics Sdn. Bhd.	Manufacturing, assembling and sale of electronic and electrical products, components and parts	Malaysia	100	100
V.S. Technology Sdn. Bhd.	Design and fabrication of tools and moulds	Malaysia	100	100
V.S. Logistics Sdn. Bhd.	Dormant	Malaysia	100	100
V.S. Holdings (M) Ltd#	Investment holding	Mauritius	100	100
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
PT.GY Plantation Indonesia@	Operation of an oil palm plantation	Indonesia	--	53
VS Marketing & Engineering Pte. Ltd.@	Trading of electronic components	Singapore	51	51

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

6. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At cost				
Quoted shares outside Malaysia	25,265	25,265	25,265	25,265
Unquoted shares outside Malaysia	16,623	16,623	16,623	16,623
Share of post-acquisition reserves	56,100	61,740	--	--
Less: Impairment loss	(11,651)	(11,651)	(16,623)	(16,623)
	86,337	91,977	25,265	25,265
Represented by:				
Group's share of net assets other than goodwill	86,005	91,667	--	--
Group's share of goodwill in associate's consolidated financial statements less amortisation, at carrying amount	332	310	--	--
	86,337	91,977	--	--
At market value				
Quoted shares outside Malaysia	30,296	16,205	30,296	16,205

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*
2012						
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)
2011						
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)

6. INVESTMENTS IN ASSOCIATES (CONT'D)

Summary financial information on the associates: (cont'd)

* 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.

** 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.

7. INVENTORIES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Raw materials	55,985	44,082	22,485	19,688
Work-in-progress	24,276	22,062	11,695	10,273
Finished goods	23,922	20,648	8,378	8,924
Packing materials	394	435	394	435
	104,577	87,227	42,952	39,320

At the end of the reporting period, the Group has written off obsolete inventories of RM294,000 (2011: NIL).

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade receivables	299,322	186,629	231,237	119,947
Other receivables, deposits and prepayments	18,249	14,569	2,815	3,455
Due from subsidiaries				
- non-trade	--	--	688	3,081
- loan	--	--	3,182	16,084
- trade	--	--	127	--
Due from associates				
- non-trade	1	153	1	--
- loan	--	1,899	--	1,899
	317,572	203,250	238,050	144,466

CONT'D

NOTES TO THE FINANCIAL STATEMENTS

8. TRADE AND OTHER RECEIVABLES (CONT'D)

Loan to an associate was denominated in US Dollar, unsecured and interest was chargeable at 5% (2011: 5%) per annum and has been fully repaid during the year.

Loan to subsidiaries were denominated in US Dollar, unsecured and interest free. Impairment loss of RM12,155,000 was recognised in prior year in respect of loan to a subsidiary and has been written off during the year. (see Note 24)

9. 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:

	Group	
	2012 RM'000	**2011 RM'000**
Results of discontinued operation		
Revenue	278	2,175
Expenses	(890)	(5,776)
Impairment loss on biological assets	--	(10,603)
Loss before tax	(612)	(14,204)
Tax income	--	152
Loss for the year	(612)	(14,052)
Gain on sale of discontinued operation	3,947	--
Profit/(Loss) for the year	3,335	(14,052)

The cash flows from/(used in) the discontinued operation are not significant to the Group.

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

Effect of disposal on the financial position of the Group:

	Group 2012 RM'000
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)
	8,688
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	12,551

As at 31 July 2011, the assets and liabilities held for sale were as follows:

	Group 2011 RM'000
Assets classified as held for sale	
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	42,831
Reserves	
Amount recognised directly in equity relating to assets held for sale	(15,525)
Liabilities classified as held for sale	
Loans and borrowings	
- non-current	104
- current	14,387
Trade and other payables	2,765
Liabilities classified as held for sale	17,256

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits with licensed banks	20,538	18,989	163	8,869
Cash and bank balances	38,142	52,864	8,873	34,575
	58,680	71,853	9,036	43,444

11. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary share	
	2012 RM'000	2011 RM'000	2012 '000	2011 '000
Ordinary shares of RM1.00 each:				
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid:				
At 1 August	182,327	179,702	182,327	179,702
Share options exercised	--	2,625	--	2,625
At 31 July	182,327	182,327	182,327	182,327

Reserves

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-distributable				
Share premium	2,381	2,381	2,381	2,381
Revaluation reserve	46,628	47,518	16,065	16,440
Exchange fluctuation reserve	10,140	10,973	--	--
Capital reserve	9,396	9,121	--	--
Employee share-based reserve	5,903	3,588	5,259	2,914
Treasury shares	(1,499)	(985)	(1,499)	(985)
	72,949	72,596	22,206	20,750
Distributable				
Retained earnings	152,215	149,986	77,777	58,454
	225,164	222,582	99,983	79,204

Treasury shares

At the Annual General Meeting held on 3 January 2012, the shareholders of the Company renewed their approval for the Company to repurchase its own shares.

11. CAPITAL AND RESERVES (CONT'D)

Treasury shares (cont'd)

During the financial year, the Company repurchased in the open market a total of 351,300 (2011: 341,800) of its issued ordinary shares. The average repurchase price was RM1.46 (2011: RM1.37) per ordinary share. The total consideration paid was RM513,783 including transaction costs of RM3,409.

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 2012, a total of 1,104,336 (2011: 753,036) repurchased shares are being held as treasury shares. The number of outstanding shares of RM1.00 each in issue after the setoff is 181,222,370 (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 certain land and buildings of the Group and of the Company and its associate, 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 associates in accordance with its 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 and its associate.

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.

CONT'D
NOTES TO THE FINANCIAL STATEMENTS

11. CAPITAL AND RESERVES (CONT'D)

Equity settled share-based transaction (cont'd)

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

Grant date/ employees entitled	Number of options '000	Vesting conditions	Contractual life of options
Option granted to all employees on 19 November 2010	26,178	20% of the options issued for each calendar year	5 years

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

		Number of options over ordinary shares of RM1.00 each ('000)				
Date of offer	Exercise price RM	At 1 August 2011	Granted	Exercised	Forfeited	At 31 July 2012
19 November 2010	1.54	20,863	--	--	(1,232)	19,631

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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total expense recognised as equity settled share-based transaction	2,340	3,877	1,481	2,070

12. LONG TERM PAYABLES

	Group	
	2012 RM'000	2011 RM'000
Due to Directors	4,322	4,322

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

13. LOANS AND BORROWINGS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-current				
Secured				
Term loans	--	579	--	--
Finance lease liabilities	667	1,894	201	333
	667	2,473	201	333
Unsecured				
Term loans	33,925	27,036	2,505	6,521
	34,592	29,509	2,706	6,854
Current				
Secured				
Term loans	--	824	--	--
Finance lease liabilities	1,136	1,823	42	126
	1,136	2,647	42	126
Unsecured				
Revolving credit	5,000	10,000	5,000	10,000
Term loans	14,328	18,889	5,067	10,097
Bankers' acceptances	80,337	59,685	35,678	49,669
Bank overdrafts	1,702	566	--	--
Foreign currency trust receipts	--	9,258	--	--
Short term loan	913	4,275	--	--
	102,280	102,673	45,745	69,766
	103,416	105,320	45,787	69,892
	138,008	134,829	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 24. As at 31 July 2012 and 31 July 2011, none of the covenants relating to drawn down facilities had been breached.

13. LOANS AND BORROWINGS (CONT'D)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2012			2011		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Group						
Less than one year	1,218	82	1,136	1,996	173	1,823
Between one and five years	698	31	667	2,004	110	1,894
	1,916	113	1,803	4,000	283	3,717
Company						
Less than one year	50	8	42	144	18	126
Between one and five years	217	16	201	361	28	333
	267	24	243	505	46	459

14. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Property, plant and equipment				
- capital allowances	20,932	20,678	7,629	7,755
- revaluation	8,214	8,380	5,067	5,192
Deductible temporary differences	(1,280)	(1,105)	(362)	(308)
Unabsorbed capital allowances	(820)	(1,801)	--	--
Unutilised tax losses	--	(114)	--	--
	27,046	26,038	12,334	12,639

14. DEFERRED TAX LIABILITIES (CONT'D)

Movement in temporary differences during the year:

Group	At 1.8.2011 RM'000	Recognised in profit or loss (Note 18) 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	--	--
	26,038	1,049	(41)	27,046

Group	At 1.8.2010 RM'000	Recognised in profit or loss (Note 18) RM'000	Exchange differences RM'000	Reclassified to assets held for sale (Note 9) RM'000	At 31.7.2011 RM'000
Property, plant and equipment					
- capital allowance	21,214	(510)	(26)	--	20,678
- revaluation	8,542	(162)	--	--	8,380
Deductible temporary differences	(1,295)	(386)	13	563	(1,105)
Unabsorbed capital allowances	(2,963)	1,162	--	--	(1,801)
Unutilised tax losses	(344)	230	--	--	(114)
	25,154	334	(13)	563	26,038

Company	At 1.8.2010 RM'000	Recognised in profit or loss (Note 18) RM'000	At 31.7.2011 RM'000	Recognised in profit or loss (Note 18) RM'000	At 31.7.2012 RM'000
Property, plant and equipment					
- capital allowance	8,452	(697)	7,755	(126)	7,629
- revaluation	5,316	(124)	5,192	(125)	5,067
Deductible temporary differences	(270)	(38)	(308)	(54)	(362)
	13,498	(859)	12,639	(305)	12,334

14. DEFERRED TAX LIABILITIES (CONT'D)

Unrecognised deferred tax assets

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

	Group	
	2012 RM'000	**2011 RM'000**
Unutilised tax losses	12,920	12,920
Deductible temporary differences	668	668
Taxable temporary differences	(686)	(615)
	12,902	12,973

The unutilised tax losses and deductible temporary differences do not expire under current tax legislation. 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.

Subject to agreement by the Inland Revenue Board, the Group has unutilised re-investment allowance and investment tax allowance of RM19,804,000 (2011: RM20,791,000) and RM8,174,000 (2011: RM8,174,000) respectively to set off against future taxable profit.

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Trade payables	222,988	137,655	150,554	90,323
Other payables and accrued expenses	49,166	44,036	20,568	16,216
Due to subsidiaries - trade	--	--	36,973	17,457
Due to associates - trade	390	89	98	89
	272,544	181,780	208,193	124,085

Included in other payables and accrued expenses are:

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Property, plant and equipment's creditors	4,004	1,967	2,628	324
Sundry creditors	11,382	9,949	5,228	3,354
Accrued expenses	22,340	19,960	12,712	12,538
Progress billings to customers	11,440	12,160	--	--
	49,166	44,036	20,568	16,216

16. FINANCE COSTS

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Interest expense	5,557	5,977	2,890	3,653
Other financing cost	302	262	68	62
	5,859	6,239	2,958	3,715

17. OPERATING PROFIT

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Operating profit is arrived at after charging/(crediting)				
Audit fees				
- KPMG Malaysia	209	189	130	115
- Overseas affiliate of KPMG Malaysia	11	11	--	--
- Other auditors	48	63	--	--
- Under provided in prior year	20	--	15	--
Non-audit fees				
- KPMG Malaysia	9	26	9	26
Amortisation of biological asset	--	329	--	--
Depreciation	28,487	28,375	9,582	9,822
Derivative loss	941	681	584	695
Inventories written down	294	--	--	--
Impairment loss on:				
- Investments in associates	--	798	--	2,943
- Biological assets	--	10,603	--	--
(Reversal of)/Impairment losses on receivables:				
- continuing operations	(172)	319	--	12,155
- discontinued operation	--	4,216	--	--
Personnel expenses (including key management personnel):				
- Contributions to state plans	7,362	6,389	4,136	3,815
- Wages, salaries and others	137,268	131,244	62,745	62,969
- Equity settled share-based transactions	2,340	3,877	1,481	2,070
Rental of premises	4,228	2,509	3,518	1,881
Reversal of impairment loss on investments in subsidiaries	--	--	(6,841)	(1,996)
Foreign exchange:				
- Unrealised (gain)/loss	(696)	1,616	(594)	2,226
- Realised loss/(gain)	1,582	(1,322)	2,033	(2,639)

17. OPERATING PROFIT (CONT'D)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating profit is arrived at after charging/(crediting) (cont'd)				
Property, plant and equipment:				
- Written off	92	95	4	95
- Gain on disposal	(351)	(379)	(256)	(454)
Bad debts recovered	(60)	(1)	(18)	--
Interest income				
- Deposits	(917)	(634)	(360)	(383)
- Associate	(25)	(122)	(25)	(122)
Rental income	(454)	(446)	(52)	(60)

Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors				
- Fees	412	412	412	412
- Remuneration	13,778	13,635	12,203	12,207
- Contributions to state plans	1,499	1,494	1,457	1,457
- Equity settled share-based transaction	432	717	432	717
Total short term employee benefits	16,121	16,258	14,504	14,793
Other key management personnel:				
- Wages, salaries and others	3,380	3,008	539	512
- Contributions to state plans	177	165	65	61
- Other short term employee benefits	29	31	7	7
- Equity settled share-based transaction	209	407	36	64
	3,795	3,611	647	644
	19,916	19,869	15,151	15,437

The estimated monetary value of Directors' benefit-in-kind of the Group/Company is RM123,000 (2011: RM135,000).

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.

18. INCOME TAX EXPENSE

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Current tax expense				
- Malaysian tax				
- Current year	11,326	13,635	9,877	12,303
- Prior year	93	(310)	197	(278)
- Overseas tax				
- Current year	2,774	2,128	--	--
- Prior year	11	(64)	--	--
	14,204	15,389	10,074	12,025
Deferred tax expense/(income)				
- Malaysian tax				
- Origination and reversal of temporary differences	1,021	907	(429)	(254)
- Prior year	108	(511)	124	(605)
- Overseas tax				
- Origination of temporary differences	(80)	90	--	--
	1,049	486	(305)	(859)
Total tax expense recognised in profit or loss	15,253	15,875	9,769	11,166
Tax expense on share of profit of an associate	2,386	3,679	--	--
Discontinued operation				
- Reversal of temporary differences	--	(152)	--	--
Total income tax expense	17,639	19,402	9,769	11,166

CONT'D
NOTES TO THE FINANCIAL STATEMENTS

18. INCOME TAX EXPENSE (CONT'D)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Reconciliation of effective tax expense				
Profit for the year	36,873	21,436	40,703	19,052
Total income tax expense	17,639	19,402	9,769	11,166
Profit before tax	54,512	40,838	50,472	30,218
Income tax calculated using Malaysian tax rate of 25%	13,628	10,210	12,618	7,555
Effect of different tax rates in foreign jurisdictions	(900)	(29)	--	--
Deferred tax assets not recognised:				
- associate	4,578	4,843	--	--
- subsidiaries	(32)	(478)	--	--
Non-deductible expenses	2,085	7,934	546	4,906
Tax exempt/Non-taxable income	(9)	(126)	(3,716)	(30)
Tax incentives	(1,953)	(1,329)	--	(382)
Others	30	(738)	--	--
	17,427	20,287	9,448	12,049
Under/(Over) provided in prior years	212	(885)	321	(883)
Total income tax expense	17,639	19,402	9,769	11,166

19. 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:

	2012			2011		
	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000
Group						
Profit/(Loss) for the year attributable to owners	35,280	3,335	38,615	35,280	(7,559)	27,721

19. EARNINGS PER ORDINARY SHARE (CONT'D)

Weighted average number of ordinary shares:

	2012 '000	2011 '000
Issued ordinary shares after deducting treasury shares at 1 August	181,574	179,291
Effect of shares repurchased	(262)	(293)
Effect of ordinary shares issued	--	1,663
Weighted average number of ordinary shares at 31 July	181,312	180,661
Basic earnings/(loss) per ordinary share (sen)		
- From continuing operations	19.46	19.53
- From discontinued operation	1.84	(4.19)
	21.30	15.34

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Profit attributable to ordinary shareholders (diluted):

	2012			2011		
	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000
Group						
Profit/(Loss) attributable to ordinary shareholders (diluted)	35,280	3,335	38,615	35,280	(7,559)	27,721

Weighted average number of ordinary shares (diluted):

	2012 '000	2011 '000
Weighted average number of ordinary shares (basic)	181,312	180,661
Effect of share options in issue	(390)	3,188
Weighted average number of ordinary shares (diluted) at 31 July	180,922	183,849
Diluted earnings per ordinary share (sen)		
- From continuing operations	--*	19.19
- From discontinued operation	--*	(4.11)
	--*	15.08

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

CONT'D
NOTES TO THE FINANCIAL STATEMENTS

20. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2012			
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	
2011			
2010 - Final, single tier	5.0	9,061	24 January 2011
2011 - First interim, single tier	2.0	3,629	28 February 2011
2011 - Second interim, single tier	2.5	4,537	5 May 2011
2011 - Third interim, single tier	1.5	2,724	29 July 2011
		19,951	

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

	Sen per share	Total amount RM'000	Date of payment
2012 - Fourth interim, single tier	6.0	10,873	25 October 2012

21. ACQUISITION OF ASSETS

Acquisition of property, plant and equipment represents:-

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current year additions (Note 3)	42,397	39,359	8,679	6,276
Less: Amount financed by:				
- Finance lease liabilities	--	(282)	--	(282)
- Amount under credit term (Note 15)	(4,004)	(1,967)	(2,628)	(324)
Add: Payment in respect of previous year's purchase of property, plant and equipment	1,967	2,531	324	1,453
	40,360	39,641	6,375	7,123

22. OPERATING SEGMENTS

Group

The Group's main business activities comprise the investment holding and manufacturing, assembling and sale of electronic and electrical products and plastic moulded components and parts, are principally located in Malaysia, Indonesia and two other locations. 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.

	Malaysia		Indonesia		Total	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Segment profit	82,799	70,913	14,210	11,326	97,009	82,239
Included in the measure of segment profit are:						
Revenue from external customers	1,074,901	916,034	113,811	92,933	1,188,712	1,008,967
Inter-segment revenue	2,110	3,516	--	--	2,110	3,516
Not included in the measure of segment profit but provided to Managing Director						
Depreciation and amortisation	(24,580)	(24,674)	(3,729)	(3,216)	(28,309)	(27,890)
Finance costs	(5,323)	(5,638)	(427)	(510)	(5,750)	(6,148)
Interest income	864	745	78	11	942	756
Income tax expense	(12,548)	(13,720)	(2,694)	(2,155)	(15,242)	(15,875)
Segment assets	753,571	630,059	76,923	56,721	830,494	686,780

22. OPERATING SEGMENTS (CONT'D)

Segment assets (cont'd)

	Malaysia		Indonesia		Total	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Included in the measure of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets	27,892	36,016	14,333	2,987	42,225	39,003
Segment liabilities	401,993	322,600	37,710	29,869	439,703	352,469

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

	2012 RM'000	2011 RM'000
Profit		
Total profit for reportable segments	97,009	82,239
Other non-reportable segments	(2,702)	694
Elimination of inter-segment profits	968	12,478
Depreciation and amortisation	(28,487)	(28,074)
Finance costs	(5,859)	(6,239)
Interest income	942	756
Share of loss of associates not included in reportable segments	(13,080)	(10,491)
Consolidated profit before tax and discontinued operation	48,791	51,363

	External revenue RM'000	Deprecia-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
2012								
Total reportable segments	1,188,712	(28,309)	(5,750)	942	830,494	--	42,225	439,703
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	(28,487)	(5,859)	942	850,986	86,337	42,397	443,065

22. OPERATING SEGMENTS (CONT'D)

	External revenue RM'000	Deprecia-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
2011								
Total reportable segments	1,008,967	(27,890)	(6,148)	756	686,780	--	39,003	352,469
Other non-reportable segments	17,851	(184)	(91)	--	31,993	--	153	29,838
Components not monitored by managing director	--	--	--	--	66,712	91,977	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(57,326)	--	--	(31,569)
Discontinued operation	--	(301)	--	--	42,831	--	5,172	17,256
Consolidated total	1,026,818	(28,375)	(6,239)	756	770,990	91,977	44,328	367,994

Revenue by geographical location of customers:

	2012 RM'000	2011 RM'000
Malaysia	958,754	830,219
Indonesia	112,967	89,554
United Kingdom	24,616	30,901
Others	105,655	76,144
Total revenue	1,201,992	1,026,818

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 2012 RM'000	Revenue 2011 RM'000	Segment
A customer	770,962	659,566	Malaysia

23. CONTINGENCIES (UNSECURED)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(i) Corporate guarantees given to financial institutions in respect of outstanding term loans and banking facilities of subsidiaries	--	--	88,170	70,839
(ii) Claim by a third party on land used by a disposed subsidiary for planting of biological assets^	--	32,108	--	--

^ 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.

PTGY has appealed to the relevant government authorities to resolve the above matter and the Directors were of the opinion that the Company would be able to obtain a favourable outcome to the appeal.

During the year, the Group's entire shareholding in PTGY was disposed (see Note 9).

24. FINANCIAL INSTRUMENTS

24.1 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):
- Held for trading (HFT); and
(c) Other financial liabilities measured at amortised cost (OL).

24. FINANCIAL INSTRUMENTS (CONT'D)

24.1 Categories of financial instruments (cont'd)

2012	Carrying amount RM'000	L&R RM'000	OL RM'000
Group			
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)
Company			
Trade and other receivables	238,050	238,050	--
Cash and cash equivalents	9,036	9,036	--
Loans and borrowings	(48,493)	--	(48,493)
Trade and other payables	(208,193)	--	(208,193)
	(9,600)	247,086	(256,686)

2011	Carrying amount RM'000	L&R RM'000	OL RM'000
Group			
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)
Company			
Trade and other receivables	144,466	144,466	--
Cash and cash equivalents	43,444	43,444	--
Loans and borrowings	(76,746)	--	(76,746)
Trade and other payables	(124,085)	--	(124,085)
	(12,921)	187,910	(200,831)

At the end of reporting period, the fair value through profit or loss in respect of forward contract is insignificant to the Group.

CONT'D
NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONT'D)

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net losses arising on:				
Fair value through profit or loss:				
- Held for trading	(941)	(681)	(584)	(695)
Loans and receivables	288	(4,073)	(1,036)	(11,237)
Financial liabilities measured at amortised cost	(5,859)	(6,239)	(2,958)	(3,715)
	(6,512)	(10,993)	(4,578)	(15,647)

24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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 receivables from customers and fixed deposits placements with licensed banks. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, associates 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 74% and 92% (2011: 62% and 90%) of the Group's and of the Company's trade receivable 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 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.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (cont'd)

Credit risk (cont'd)

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Domestic	250,599	138,739	231,109	119,947
Indonesia	19,899	24,699	--	--
United States	12,500	--	--	--
Singapore	4,125	6,632	15	--
United Kingdom	1,575	5,268	113	--
Others	11,435	12,376	--	--
	300,133	187,714	231,237	119,947

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2012			
Not past due	244,909	--	244,909
Past due 1 - 30 days	52,772	--	52,772
Past due 31 - 60 days	1,122	--	1,122
Past due 61 - 90 days	158	--	158
Past due more than 90 days	1,172	(811)	361
	300,133	(811)	299,322

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2011			
Not past due	164,534	--	164,534
Past due 1 - 30 days	17,662	--	17,662
Past due 31 - 60 days	1,993	--	1,993
Past due 61 - 90 days	3,021	(592)	2,429
Past due more than 90 days	504	(493)	11
	187,714	(1,085)	186,629

CONT'D
NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (cont'd)

Credit risk (cont'd)

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
Company			
2012			
Not past due	189,768	--	189,768
Past due 1 - 30 days	41,268	--	41,268
Past due 31 - 60 days	195	--	195
Past due 61 - 90 days	--	--	--
Past due more than 90 days	6	--	6
	231,237	--	231,237
2011			
Not past due	118,500	--	118,500
Past due 1 - 30 days	1,419	--	1,419
Past due 31 - 60 days	22	--	22
Past due 61 - 90 days	--	--	--
Past due more than 90 days	6	--	6
	119,947	--	119,947

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 August	1,085	797	--	--
Impairment loss recognised	--	319	--	--
Impairment loss reversed	(172)	--	--	--
Impairment loss written off	(123)	(31)	--	--
Exchange differences	21	--	--	--
At 31 July	811	1,085	--	--

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 these balances to be past due more than 60 days.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (cont'd)

Credit risk (cont'd)

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 RM88.2 million (2011: RM70.8 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.

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	
	2012 RM'000	2011 RM'000
At 1 August	12,155	--
Impairment loss recognised	--	12,155
Impairment loss written off	(12,155)	--
At 31 July	--	12,155

CONT'D
NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (cont'd)

Liquidity risk

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

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

Maturity analysis

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

Group	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2012							
Non-derivative financial liabilities							
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 banker's 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	--	--	--
	403,434		408,813	365,368	12,736	20,126	10,583

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (cont'd)

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
2011							
Non-derivative financial liabilities							
Secured finance lease liabilities	3,717	2.50 – 5.70	3,966	1,981	1,467	452	66
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 banker's 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	--	--	--
	308,771		312,712	276,779	16,066	13,035	6,832

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
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	4,259	2,130	1,883	--
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	208,193	--	208,193	208,193	--	--	--
	256,686		257,410	253,180	2,180	2,033	17

CONT'D
NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (cont'd)

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
2011							
Non-derivative financial liabilities							
Secured finance lease liabilities	459	2.50 – 3.57	504	144	144	150	66
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	124,085	--	124,085	124,085	--	--	--
	200,831		201,792	194,540	4,391	2,795	66

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 and Japanese Yen 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 to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one month after the end of the reporting period. However, the usage of forward exchange contracts are not extensive.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (cont'd)

Market 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:

2012	Denominated in USD Group RM'000	Denominated in USD Company RM'000
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)	--
	(43,420)	(53,137)

2011	Denominated in USD Group RM'000	Denominated in USD Company RM'000
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)	--
	18,028	(4,485)

Currency risk sensitivity analysis

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

A 10% (2011: 10%) strengthening of the RM against the following currency at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (cont'd)

Market risk (cont'd)

	Denominated in USD	
	Group RM'000	Company RM'000
2012		
Profit or loss	3,257	3,985
2011		
Profit or loss	(1,352)	336

A 10% (2011: 10%) weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fixed rate instruments				
Financial assets	20,538	20,888	163	10,768
Financial liabilities	(87,140)	(85,126)	(40,921)	(62,704)
	(66,602)	(64,238)	(40,758)	(51,936)
Floating rate instruments				
Financial liabilities	(50,868)	(49,703)	(7,572)	(14,042)

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (cont'd)

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 RM382,000 (2011: RM373,000) and RM57,000 (2011: RM105,000) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

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 carrying amount of the forward foreign exchange contract approximates its fair value due to the relatively short term nature of the financial instrument, with terms less than 1 month.

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

	2012		2011	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets				
Loan to an associate	--	--	1,899	1,899
Financial liabilities				
Unsecured term loans	--	--	3,975	3,906
Secured finance lease liabilities	1,803	1,689	3,717	3,664

CONT'D

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (cont'd)

Fair value of financial instruments (cont'd)

Company	2012 Carrying amount RM'000	2012 Fair value RM'000	2011 Carrying amount RM'000	2011 Fair value RM'000
Financial assets				
Loan to an associate	--	--	1,899	1,899
Financial liabilities				
Unsecured term loans	--	--	2,574	2,574
Secured finance lease liabilities	243	245	459	469

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

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:

Group	Group 2012 %	Group 2011 %	Company 2012 %	Company 2011 %
Unsecured term loans	7.30	7.30	--	--
Secured finance lease liabilities	2.60 - 7.50	2.60 - 7.20	2.60	2.60

25. 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 an optimal debt-to-equity ratio that complies with debt covenants.

The debt-to-equity ratios at 31 July 2012 and 31 July 2011 were as follows:

	Group	
	2012 RM'000	2011 RM'000
Total loans and borrowings (Note 13)	138,008	134,829
Less: Cash and cash equivalent (Note 10)	(58,680)	(71,853)
Net debt	79,328	62,976
Total equity	407,491	389,384
Debt-to-equity ratio	0.19	0.16

26. CAPITAL COMMITMENTS

	Group	
	2012 RM'000	2011 RM'000
Property, plant and equipment		
Contracted but not provided for	14,693	6,266

27. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to 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 or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

27. RELATED PARTIES (CONT'D)

Identity of related parties (cont'd)

The significant related party transactions of the Group and of the Company, other than key management personnel compensation (see Note 17), are as follows:

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Subsidiaries				
Sales of goods	--	--	3,799	380
Sales of plant and equipment	--	--	85	128
Purchases of goods	--	--	170,974	110,817
Purchases of plant and equipment	--	--	15	--
Loan to subsidiaries	--	--	2,558	1,237
Rental expense	--	--	536	447
Associates				
Sales of plant and equipment	--	42	--	--
Purchases of goods	1,607	1,011	99	277
Purchases of plant and equipment	3,685	--	--	--
Interest income	25	122	25	122
Sales commission income	25	671	--	--
A company in which is wholly-owned by close family member of certain Directors				
Purchases of tooling	2,537	2,007	--	--
Sales commission income	1,151	--	--	--
A company in which certain Directors have substantial financial interest				
Rental expense	233	233	233	233
Companies in which a major shareholder has financial interest				
Purchases	4,580	6,649	9	1
Outstanding balances	708	1,217	--	--
Remuneration paid to staff who are close family member of certain Directors	699	615	225	194

28. SUPPLEMENTARY 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	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Total retained earnings of the Company and its subsidiaries:				
- realised	119,263	101,869	84,450	68,127
- unrealised	(18,152)	(20,035)	(6,673)	(9,673)
	101,111	81,834	77,777	58,454
Total retained earnings from associates				
- realised	17,247	31,522	--	--
- unrealised	(1,510)	(2,847)	--	--
	15,737	28,675	--	--
	116,848	110,509	77,777	58,454
Add: Consolidation adjustments	35,367	39,477	--	--
Total retained earnings	152,215	149,986	77,777	58,454

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 2012 RM'000	Date of Last Revaluation (R) / Acquisition (A)
V.S. INDUSTRY BERHAD						
PTB 11133 72, 72A-B, Jalan Padi 1 Tampoi Commercial Centre Bandar Baru Uda 81200 Tampoi, Johor Bahru Johor Darul Takzim	0.04	4,994	Rented out (3-storey shop office)	Freehold (20 years)	599	1-Aug-08 (R)
Lot 17650 & 17651 Batu 12 1/2, Sungai Lunchoo Masai Johor Darul Takzim	10.71	-	Two (2) adjoining parcels of vacant industrial land	Freehold	7,000	1-Aug-08 (R)
PTD 42659 & 42660 Senai Industrial Estate (Phase III) 81400 Senai Johor Darul Takzim	2.28	70,680	Two (2) blocks of 5-storey hostel	Leasehold for 99 years expiring on 07/09/2094 (16 years)	5,771	1-Aug-08 (R)
PTD 102246, Jalan Murni 12 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	12.26	462,101	Factory/ office (2-storey)	Freehold (6-9 years)	58,756	1-Aug-08 (R)
PTD 86366, Jalan Murni 8 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	1.76	-	Parking lot	Freehold	1,435	1-Aug-08 (R)
Lot 46967 51, Jalan Mewah Utama 1/4 Bandar Putra 81000 Kulai Johor Darul Takzim	-	1,991	Hostel (cluster home)	Freehold (4 years)	312	1-Aug-08 (R)

LIST OF PROPERTIES

Beneficial Owner(s)	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2012 RM'000	Date of Last Revaluation (R) / Acquisition (A)
V.S. PLUS SDN. BHD.						
PTD 8823 - PLO 39 Jalan Perindustrian 4 Senai Industrial Estate (Phase II) 81400 Senai Johor Darul Takzim	3.31	275,384	Factory/ office (4-storey)	Leasehold for 60 years expiring on 01/06/2051 (20 years)	18,130	1-Aug-08 (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 (19 years)	3,812	1-Aug-08 (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 (15 years)	2,470	1-Aug-08 (R)
PTD 65018 - PLO 116 Jalan Cyber 5 Senai Industrial Estate (Phase III) 81400 Senai Johor Darul Takzim	0.75	31,554	Warehouse (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 23/11/2059 (15 years)	2,765	1-Aug-08 (R)
Lot 65017 - PLO 174 Jalan Cyber 5 Senai Industrial Estate (Phase III) 81400 Senai Johor Darul Takzim	1.00	20,788	Factory (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 13/02/2060 (15 years)	2,313	1-Aug-08 (R)
PTD 102902 Jalan Murni 8 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	8.19	-	One (1) parcel of vacant industrial land	Freehold	6,400	1-Aug-08 (R)
Lot 214, Jalan Seelong 81400 Senai Johor Darul Takzim	6.14	222,759	Factory/ office (2-storey)	Freehold (2 years)	24,764	20-Oct-10 (A)

CONT'D

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 2012 RM'000	Date of Last Revaluation (R) / Acquisition (A)
V.S. ELECTRONICS SDN. BHD.						
PTD 8816 - PLO 47 Jalan Perindustrian 1 Senai Industrial Estate (Phase II) 81400 Senai Johor Darul Takzim	3.30	173,856	Factory/ office (5-storey)	Leasehold for 60 years expiring on 14/05/2050 (16 years)	18,844	1-Aug-08 (R)
V.S. TECHNOLOGY SDN. BHD.						
PTD 8799 - PLO 7 Jalan Perindustrian Senai Industrial Estate (Phase I) 81400 Senai Johor Darul Takzim	1.19	55,640	Factory/ office (2-storey)	Leasehold for 60 years expiring on 11/02/2047 (25 years)	4,337	1-Aug-08 (R)
V.S. ASHIN TECHNOLOGY SDN. BHD.						
PTD 86566- 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 (12 years)	2,835	1-Aug-08 (R)
PT. V. S. TECHNOLOGY INDONESIA						
Jl. Jababeka IV E Blok V 78K Kawasan Industri Jababeka Cikarang Pasirgombong Lemahabang Bekasi 17550 Indonesia	0.7	53,583	Factory/ office (2-storey)	Leasehold for 30 years expiring on 24/09/2023 (10 years)	2,979	1-Aug-08 (R)

ANALYSIS OF SHAREHOLDINGS

As at 31 October 2012

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	:	3,884

DISTRIBUTION OF SHAREHOLDINGS

Range of Shares	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
1 - 99	350	9.01	15,755	0.01
100 - 1,000	325	8.37	180,496	0.10
1,001 - 10,000	2,367	60.94	9,393,143	5.15
10,001 - 100,000	718	18.49	18,022,532	9.88
100,001 - 9,116,334	120	3.09	80,785,981	44.31
9,116,335 and above	4	0.10	73,928,799	40.55
Total	3,884	100.00	182,326,706	100.00

LIST OF TOP 30 SHAREHOLDERS AS AT 31 OCTOBER 2012

(as shown in the Record of Depositors)

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
1.	HSBC Nominees (Tempatan) Sdn Bhd *Exempt An For BNP Paribas Wealth Management Singapore Branch (Local)*	23,580,140	12.93
2.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An For OCBC Securities Private Limited (Client A/C-NR)*	18,742,500	10.28
3.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Beh Kim Ling (MBB HK-240577)*	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 *Exempt An For OCBC Securities Private Limited (Client A/C-R ES)*	7,527,688	4.13
7.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Gan Sem Yam*	5,525,850	3.03
8.	Gan Tiong Sia	4,889,686	2.68
9.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank For Gan Tong Chuan (PBCL-0G0006)*	4,150,125	2.28
10.	Chin Chin Seong	2,585,100	1.42
11.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank For Kuah Hun Liang (MY0271)*	2,228,136	1.22
12.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Gan Tong Chuan (MBB HK-280356)*	2,069,931	1.14
13.	Low Kwai Leng	1,650,000	0.90

CONT'D

ANALYSIS OF SHAREHOLDINGS

as at 31 October 2012

LIST OF TOP 30 SHAREHOLDERS AS AT 31 OCTOBER 2012 (CONT'D)

(as shown in the Record of Depositors)

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
14.	Ng Ang Lim	1,620,106	0.89
15.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank For Gan Chu Cheng (PBCL-0G0003)*	1,500,000	0.82
16.	Gan Chong Thai @ Gan To	1,435,250	0.79
17.	Gan Swu Kim	1,423,468	0.78
18.	Citigroup Nominees (Asing) Sdn Bhd *CBNY For Dimensional Emerging Markets Value Fund*	1,337,193	0.73
19.	Cheng Kin Yin	1,274,800	0.70
20.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For BNP Paribas Wealth Management Singapore Branch (A/c Clients-FGN)*	1,214,352	0.67
21.	V.S. Industry Berhad – Share Buy Back Account	1,114,336	0.61
22.	Ding Long Fatt	996,782	0.55
23.	Beh Hwee Lee	915,723	0.50
24.	Tan Kuan Teck	838,000	0.46
25.	Gan Siew Tiam	796,611	0.43
26.	Lee Sau Kwang	701,887	0.38
27.	Gan Chong Thai @ Gan To	688,500	0.38
28.	Kim Poh Holdings Sdn Bhd	669,375	0.37
29.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank For Mak Tian Meng (MY0343)*	637,500	0.35
30.	Ling Chong Aai	614,080	0.33
	Total	130,845,593	71.76

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 31 OCTOBER 2012

(as shown in the Register of Substantial Shareholders)

No.	Name of Substantial Shareholders	Interests in Shares Direct	Deemed	Note	Percentage (%)
1.	Beh Kim Ling	31,606,159	25,995,863	(a)	31.79
2.	Gan Chu Cheng	24,380,140	33,221,882	(b)	31.79
3.	Gan Sem Yam	13,627,061	525,000	(c)	7.81
4.	Ling Sok Mooi	525,000	13,627,061	(d)	7.81
5.	Inabata & Co., Ltd	-	18,742,500	(e)	10.34

CONT'D

ANALYSIS OF SHAREHOLDINGS

as at 31 October 2012

DIRECTORS' INTERESTS IN SHARES AS AT 31 OCTOBER 2012

	Name of Directors	Interests in Shares Direct	Deemed	Note	Percentage (%)
A.	**In the Company**				
	Beh Kim Ling	31,606,159	25,995,863	(a)	31.79
	Gan Chu Cheng	24,380,140	33,221,882	(b)	31.79
	Gan Sem Yam	13,627,061	525,000	(c)	7.81
	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	20,000	-		0.01
	Chang Tian Kwang (Alternate Director to Gan Chu Cheng)	72,000	-		0.04
B.	**In Related Corporations**				
(i)	**VVS Co., Ltd. (Ordinary shares of HKD1.00 each)**				
	Beh Kim Ling	3,182	90,454	(a) & (g)	93.64
	Gan Chu Cheng	3,182	90,454	(b) & (g)	93.64
	Gan Sem Yam	3,182	-		3.18
	Gan Tiong Sia	3,182	-		3.18
(ii)	**V.S. Ashin Technology Sdn. Bhd. (Ordinary shares of RM1.00 each)**				
	Beh Kim Ling	-	4,480,000	(a) & (g)	64.00
	Gan Chu Cheng	672,000	3,808,000	(g)	64.00
	Gan Sem Yam	746,667	-		10.67
(iii)	**V.S. Plus Sdn. Bhd. (Ordinary shares of RM1.00 each)**				
	Beh Kim Ling	-	49,625,000	(g)	99.25
	Gan Chu Cheng	-	49,625,000	(g)	99.25
(iv)	**VS Marketing & Engineering Pte. Ltd. (Ordinary shares of SGD1.00 each)**				
	Beh Kim Ling	-	102,000	(g)	51.00
	Gan Chu Cheng	-	102,000	(g)	51.00

Note:

(a) By virtue of the shareholdings of his spouse, Madam Gan Chu Cheng and his daughters, Miss Beh Hwee Lee and Miss Beh Hwee Sze.
(b) By virtue of the shareholdings of her spouse, Mr. Beh Kim Ling and her daughters, Miss Beh Hwee Lee and Miss Beh Hwee Sze.
(c) By virtue of the shareholdings of his spouse, Madam Ling Sok Mooi.
(d) By virtue of the shareholdings of her spouse, Mr. Gan Sem Yam.
(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.

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.
30, Toh Guan Road
#08-02, ODC Districentre
Singapore 608840
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

BRITISH VIRGIN ISLANDS
VVS Co., Ltd.
Registered Office
P.O. Box 957,
Offshore Incorporations Centre
Road Town
Tortola
British Virgin Islands

ASSOCIATES
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

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

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 Thirtieth 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, 3 January 2013 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, Mr Gan Sem Yam		
3	Re-election of retiring Director, Mr Gan Tiong Sia		
4	Re-election of retiring Director, Mr Pan Swee Keat		
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 Beh Kim Ling, Gan Sem Yam, 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 Firstclass Returns Sdn Bhd		
11	Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd		
12	Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries		
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	Proposed Amendments to the Articles of Association of the Company		

Signed this ______________ day of ______________ 2012/2013

____
Signature of Member(s)

NOTES:

i. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy 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.

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.

(While pending the proposed amendments to the Company's Articles of Association to be approved at its 30th AGM, the Company expressly allow where a member/shareholder is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991("SICDA") 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.)

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

Fold this flap for sealing

Then fold here

AFFIX
STAMP
HERE

The Company Secretary

V.S. INDUSTRY BERHAD (88160-P)

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

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

PTD 86556, Jalan Murni 12, Taman Perindustrian Murni
81400 Senai, Johor Darul Takzim, Malaysia
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