V.S. Industry™

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

TOWARDS NEXT LEVEL OF GROWTH

ANNUAL REPORT 2017

COVER RATIONALE

Over the course of 35 years, V.S. Industry Berhad has made remarkable strides in the Electronics Manufacturing Services ("EMS") sector by delivering high quality products and services to our clientele as the leading integrated EMS provider in Malaysia. 2017 has been a testament to the success of our continued commitment to excellence as we record our best ever performance.

As we set new benchmarks, V.S. Industry Berhad's 2017 Annual Report's theme and cover captures the importance of human capital and technology in our pursuit of greater achievements. The curving tagline juxtaposed against a 'digital' backdrop denotes our utilisation of and adaptability to technological advancements and reflects our exciting journey as we continue with our expansion phase which will catapult us towards the next level of growth.

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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 10 consecutive years from 2007 to 2016.

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Beh Kim Ling
Executive Chairman

Datuk Gan Sem Yam
Managing Director

Datin Gan Chu Cheng
Executive Director

Dato' Gan Tiong Sia
Executive Director

Ng Yong Kang
Executive Director

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

Pan Swee Keat
Independent Non-Executive Director

Tang Sim Cheow
Independent Non-Executive Director

Chong Chin Siong
Alternate Director to Datin Gan Chu Cheng

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Ang Mui Kiow
Chiam Mei Ling

AUDITORS

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

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No.: 603 – 2783 9299
Fax No.: 603 – 2783 9222

PRINCIPAL BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
Citibank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking 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

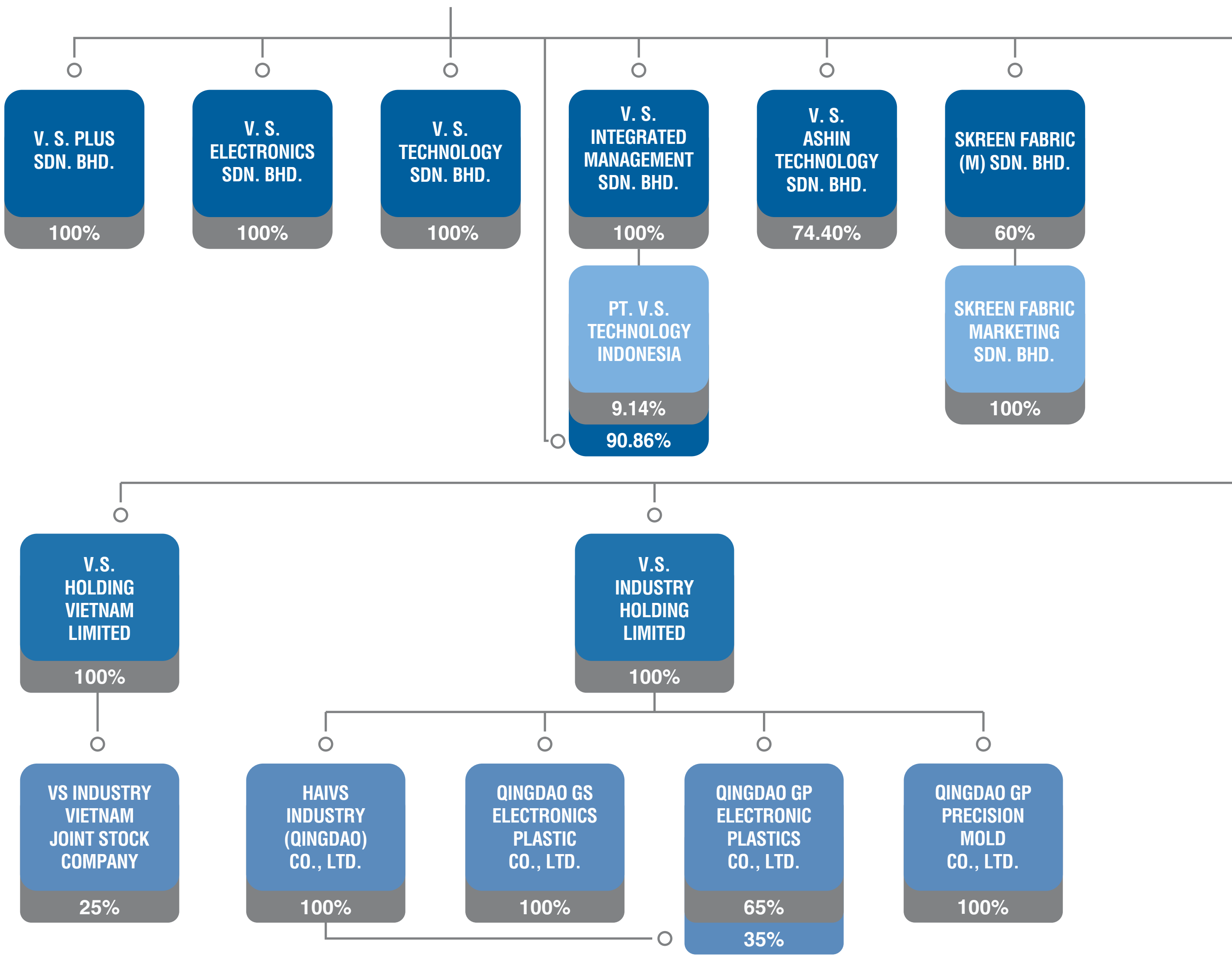
Main Market,
Bursa Malaysia Securities Berhad
Bursa Code : 6963
Reuters Code : VSID.KL
Bloomberg Code : VSI MK

ONLINE LINKS

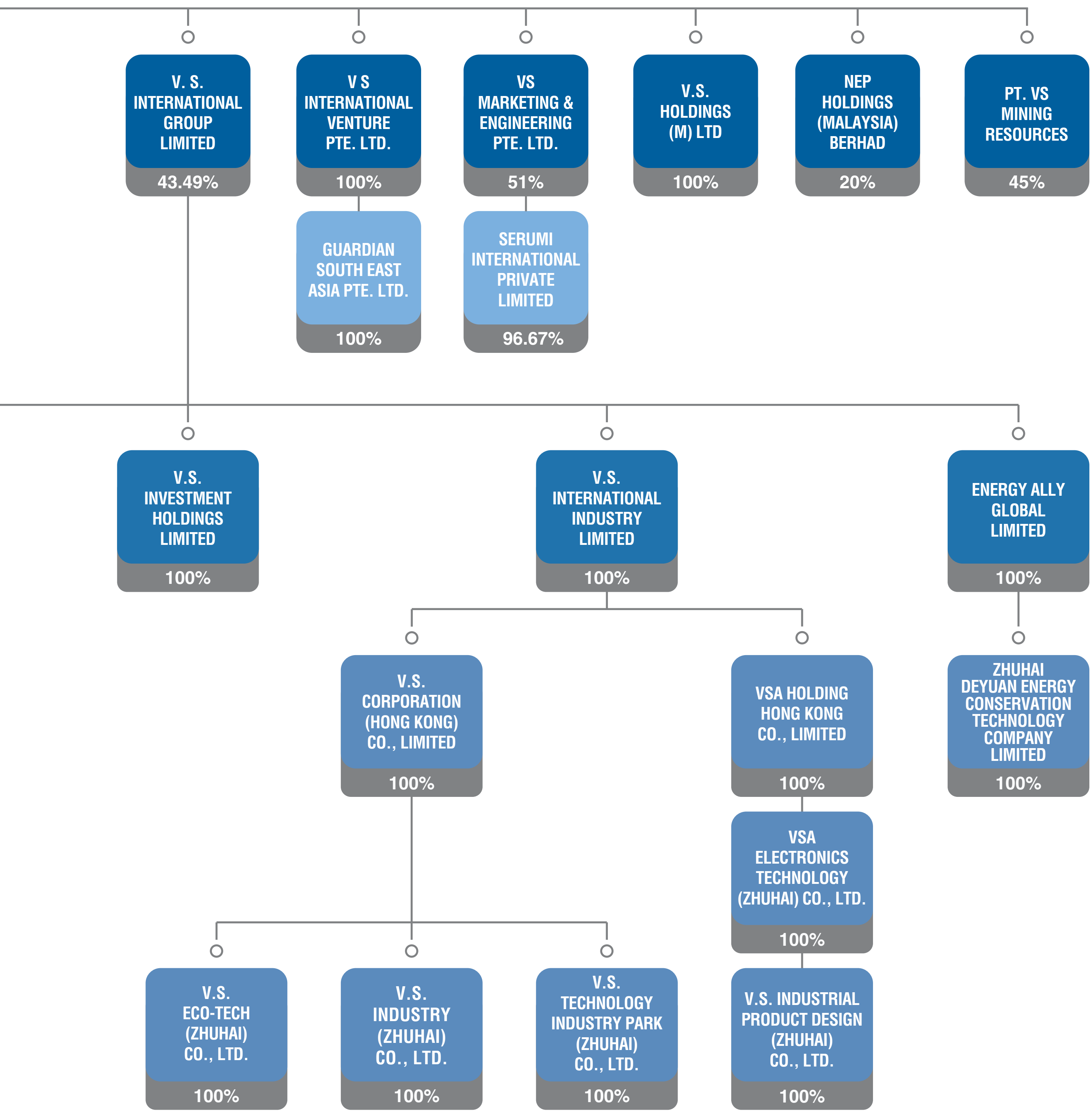
Corporate Website: www.vs-i.com

CORPORATE STRUCTURE

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



CORPORATE STRUCTURE
(cont'd)



GEOGRAPHICAL FOOTPRINT

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

FINANCIAL HIGHLIGHTS

RM3.81 billion
MARKET CAPITALISATION*

RM3.28 billion
RECORD FY17 REVENUE

RM156.3 million
RECORD FY17 NET PROFIT

5.9 sen
FY17 TOTAL DIVIDEND DECLARED

16.10%
FY17 ROE

RM344.9 million
GROSS CASH HOLDINGS

0.3 times
NET GEARING (AS AT 31 JULY 2017)

40% of net profit
DIVIDEND POLICY (PAYOUT 5x A YEAR)

** Based on closing share price of RM3.08 as at 31 October 2017*

FINANCIAL HIGHLIGHTS
(cont'd)

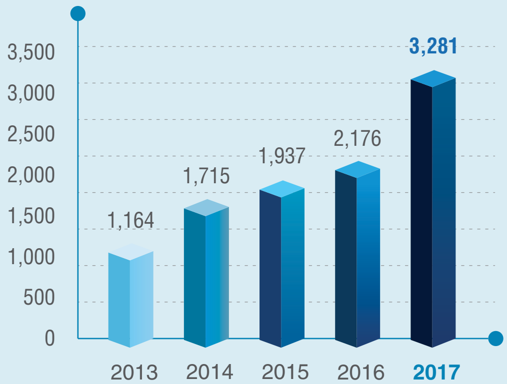
FINANCIAL SUMMARY

For the Financial Year Ended 31 July (RM'000)	2017	2016	2015	2014	2013
Revenue	3,281,350	2,175,626	1,936,885	1,715,082	1,163,911
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	322,047	226,384	239,218	119,548	92,027
Earnings before Interest and Tax ("EBIT")	243,996	154,338	176,137	57,963	59,346
Share of Results of Associates	(235)	1,620	(1,569)	(689)	(5,160)
Profit before Tax ("PBT")	223,673	141,866	159,686	41,993	49,447
Net Profit after Minority Interest	156,319	117,928	132,739	53,633	43,910
Total Dividends Paid	71,091*	54,876	53,946	22,648	9,060
AS AT 31 JULY (RM'000)					
Shareholders' Funds	1,057,546	879,903	777,034	526,160	479,646
Share Capital	369,109	235,169	230,848	186,355	182,327
Reserves (Net of Treasury Shares at Cost)	688,437	644,734	546,186	339,805	297,319
Total Assets	2,894,653	1,984,443	1,855,678	1,551,689	1,404,443
Net Current Assets	401,671	336,212	321,419	121,619	94,561
Total Borrowings	706,881	415,043	412,208	409,791	361,757
Cash and Cash Equivalents	344,919	218,401	243,742	123,464	97,288
PER SHARE					
Basic Earnings per Share (sen)#	13.2	10.2	12.9	5.9	4.8
Total Tax-Exempt Dividend per Share (sen)#	5.9*	4.7	4.8	2.3	1.0
Net Tangible Assets per Share (RM)#	0.9	0.8	0.7	0.6	0.5
RETURNS (%)					
Return on Average Shareholders' Equity (%)	16.1	14.2	20.4	10.7	9.9
Return on Average Total Assets (%)	6.4	6.1	7.8	3.6	3.9
FINANCIAL ANALYSIS					
Gross Margin (%)	14.0	15.5	14.8	11.5	9.1
Operating Margin (%)	7.4	7.1	9.1	3.4	5.1
PBT Margin (%)	6.8	6.5	8.2	2.4	4.2
Net Margin (%)	4.8	5.4	6.9	3.1	3.8
Gearing (Net of Cash) (times)	0.3	0.2	0.2	0.5	0.6
Interest Coverage (times)	12.1	11.0	11.8	3.8	12.5
Dividend Payout Ratio (%)	45.5	46.5	40.6	42.2	67.1^

* *inclusive of proposed final dividend of 1.0 sen per share for shareholders' approval*
\# *adjusted for corporate exercises*
^ *based on core operational profit*

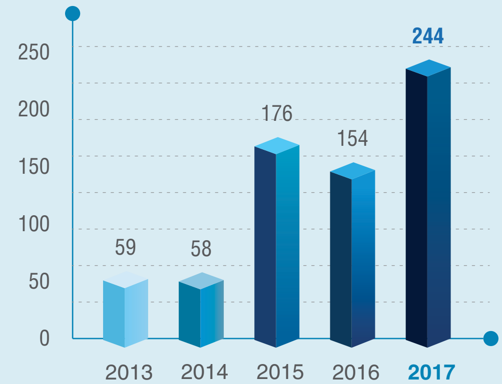
REVENUE (RM 'million)

4-year CAGR: 29.6%



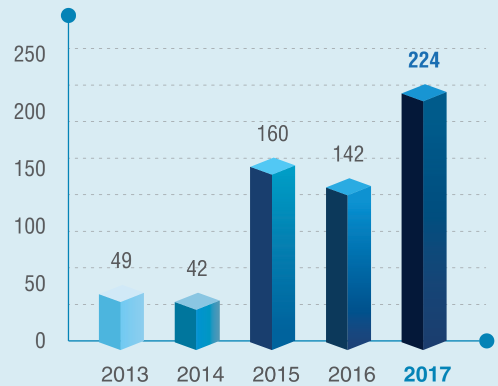
EARNINGS BEFORE INTEREST AND TAX (RM 'million)

4-year CAGR: 42.4%



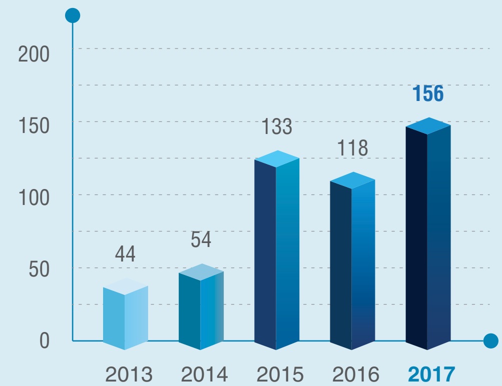
PROFIT BEFORE TAX (RM 'million)

4-year CAGR: 45.8%



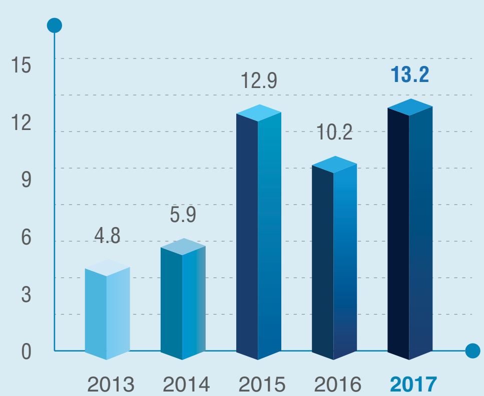
NET PROFIT (RM 'million)

4-year CAGR: 37.4%



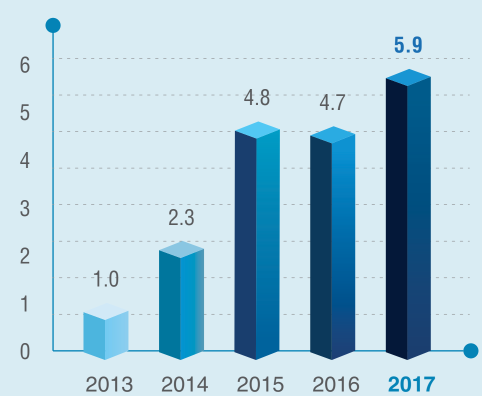
BASIC EARNINGS PER SHARE (Sen)

4-year CAGR: 28.8%



TAX-EXEMPT DIVIDEND PER SHARE (Sen)

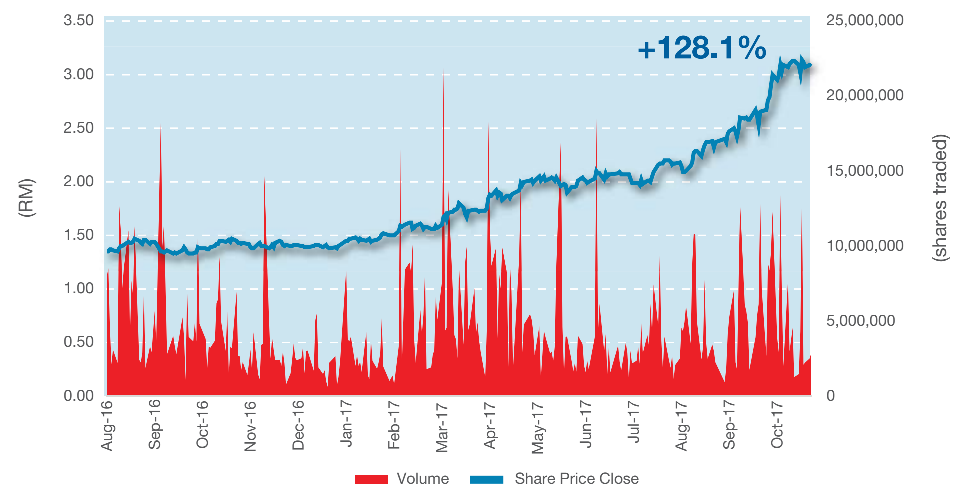
4-year CAGR: 55.9%



Note: CAGR = Compound Annual Growth Rate

SHARE PRICE PERFORMANCE

V.S. Industry Berhad Share Price Performance



Market Capitalisation

RM3.81 billion

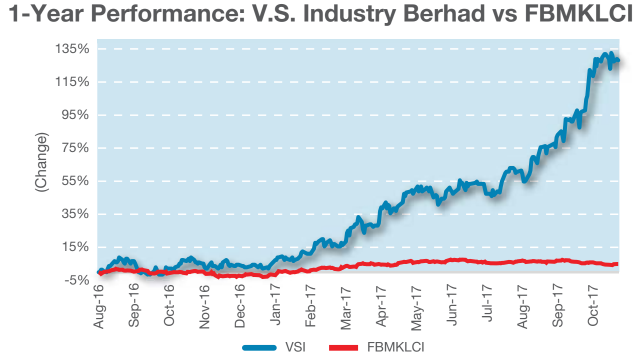
52-Week High-Low

RM3.14 - RM1.33

52-Week Average Daily Trading Volume

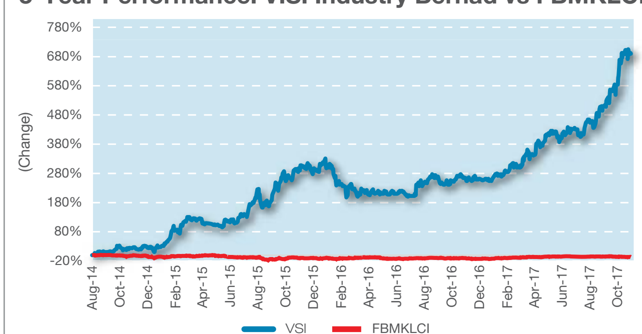
4.68 million shares

1-Year Performance: V.S. Industry Berhad vs FBMKLCI



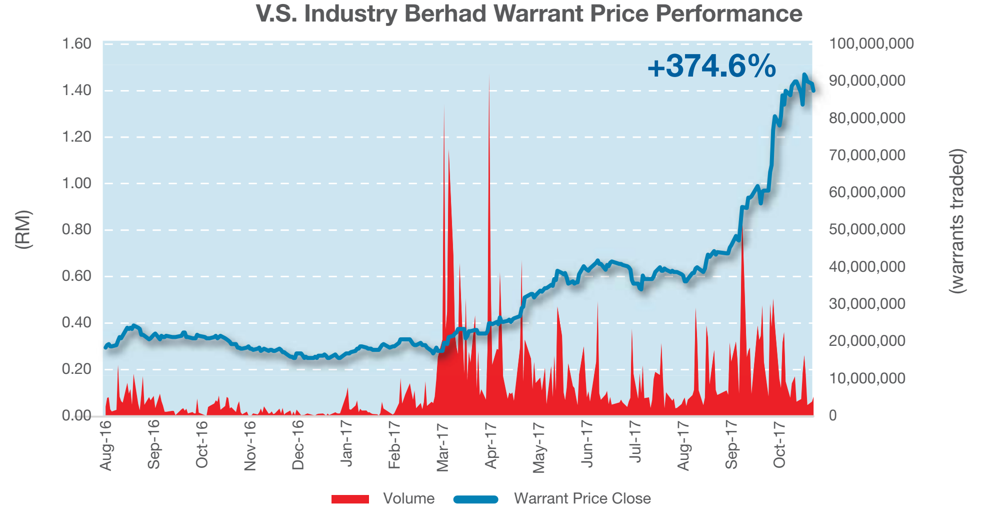
VSI	:	128.1%
FBMKLCI	:	5.0%
Outperformance	:	123.1%

3-Year Performance: V.S. Industry Berhad vs FBMKLCI



VSI	:	689.7%
FBMKLCI	:	-6.2%
Outperformance	:	695.9%

V.S. Industry Berhad Warrant Price Performance



DEAR VALUED SHAREHOLDERS,

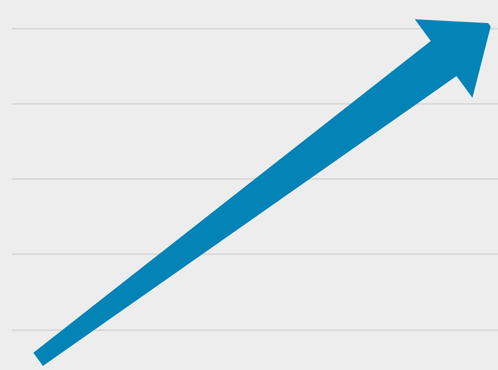
The financial year ended 31 July 2017 ("FY2017") has been a momentous year for V.S. Industry Berhad ("VS", the "Company" or the "Group"). As we steadfastly focused on our passion to grow our customers' business, our efforts and dedications had in fact, escalated our market positioning and accelerated our financial growth. With a record revenue of RM3.28 billion and profit attributable to the owners of the Company ("net profit") of RM156.3 million, we registered the best financial performance in the history of our Group.

Our financial growth has not escaped the sharp eyes of the intelligent investors. Along with the improvement in our financial performance and prospects, our market capitalisation grew substantially and has now reached RM3.81 billion, from just under RM1.50 billion a year ago. Our shareholders presently include a high number of institutional funds, both local and foreign. In a nutshell, our financial achievements in FY2017, together with the market capitalisation growth have propelled us forward towards the next level of growth – opening new frontiers and opportunities for us.

THE BIG PICTURE – INDUSTRY AND BUSINESS OVERVIEW

After recording a modest 4.2% growth in the Gross Domestic Product ("GDP") in 2016, economic activities picked up pace from early 2017 onwards with the first quarter and second quarter GDP growth coming in at 5.6% and 5.8% respectively. In the recent Economic Report 2017/2018 released by the Finance Ministry, the Malaysian economy is expected to remain resilient with real GDP growth projected at between 5.2% and 5.7% in 2017 and between 5.0% and 5.5% in 2018. The manufacturing sector, meanwhile, is expected to expand by 5.5% in 2017 and 5.3% in 2018.

While the headline numbers are looking up, there is no doubt that the operating environment remains challenging as a whole. Concerns such as rising cost of materials, escalating wages and utility costs, fluctuation in currency exchange, juggling human resources especially on the production floors are issues we face on a daily basis. There is the constant delicate balancing between cost down pressures from customers and managing upward cost increase. It is through sheer experience, grit and teamwork that we rose above the challenges and came out triumphant with our record financial performance in the year under review.



RM3.28 BILLION

RECORD REVENUE FOR FY2017

AWARDS

Much to our pleasant delight, our efforts and commitment had also rendered us several awards in FY2017. In October 2016, our Managing Director, Yang Berbahagia Datuk Gan Sem Yam won The BrandLaureate Great Entrepreneur Brand Icon Leadership Award 2016.

In April 2017, VS was bestowed the "Brew a Better World" award by a key customer for demonstrating excellence in living up to our customer's values. A month later, VS was the receiver for the Most Sustainable Brand Award for the Electronics Manufacturing Services category during the BrandLaureate Best Brand Awards 2016-2017.

In August 2017, it was certainly an honourable moment to witness our Group winning The Edge Billion Dollar Club's Award for the Highest Returns to Shareholders Over A 3-Year Period under the Industrial Products category.

CORPORATE DEVELOPMENTS

We completed the acquisition of 20%-stake in NEP Holdings (Malaysia) Berhad ("NEP") for RM60.0 million in November 2016. Since then, our operations in China, under our Hong Kong-listed subsidiary, V.S. International Group Limited ("VSIG") has begun manufacturing selected NEP's products, which are marketed under the popular brand, "Diamond". The award-winning Diamond brand boasts a series of household and commercial water filtration systems with presence in Malaysia, Hong Kong, Singapore and Taiwan.

Our strategic stake in NEP provides VS two income streams – i) manufacturing income with NEP being a customer of VS; and ii) share of profit from NEP as an associate of VS via equity accounting.

Elsewhere, Seeing Machines Limited ("SML"), an Australian-based company listed on the Alternative Investment Market of the London Stock Exchange, in which VS has an effective stake of 11.7%, is making good progress with its driver monitoring system ("DMS"). To recap, SML is involved in computer vision technologies that enable machines to see, understand and assist people. In October 2017, SML announced that its FOVIO-based DMS is made an integral part of General Motors' industry leading Super Cruise hands-free driving system for the highway, and shall be installed in the 2018 Cadillac CT6. We as the single largest shareholder are very excited as this marks the maiden mass deployment of SML's DMS in the automotive industry. We remain upbeat on SML's prospects and are confident more automotive marques shall follow suit in adopting SML's advanced solutions.

Back in Malaysia, VS completed the acquisition of 60%-stake in Skreen Fabric (M) Sdn Bhd ("SFSB") for a total of RM7.5 million. The inclusion of SFSB, which is involved in the manufacture and supply high-quality screen mesh, industrial filter fabrics and non-woven fabrics as well as precision filters, shall further strengthen our position as a Vertically Integrated producer in the EMS sector.

PROSPECTS FOR FY2018

Amidst the operating challenges, we are optimistic that we can still grow further. We opine our prospects remain bright over the next couple of years, underpinned by the fact that our customers are still expanding their market share through new products and new geographical markets, and we shall ride along on their growth.

As a Vertically Integrated manufacturer with strong in-house Research and Development ("R&D") capability, we are well-poised to support and contribute to our customers' growth. As part of our mid-term strategy, we are expanding our operations in terms of floor space and adding more production lines. We are also readying ourselves in the dawn of the Industry 4.0 evolution by emphasizing more on automations. With the continued passion and dedication from the Board of Directors, management and staff at VS, we are embarking on our next journey of growth to achieve greater heights.

APPRECIATION

In closing, I would like to express our utmost appreciation to our shareholders, customers, vendors, business associates, financiers, regulatory bodies and all other stakeholders for your continued support and confidence in us.

I would take this opportunity to extend my admiration and sincerest thanks to my fellow members of the Board for their valuable input and contribution. Similarly, I dedicate my deepest gratitude to the management team and staff of the Group for their resolute commitment, diligence and perseverance in pursuit of growth, pushing boundaries and testing limit in the process. It has been an incredible year for VS but I believe the best has yet to come.

DATUK BEH KIM LING
Executive Chairman

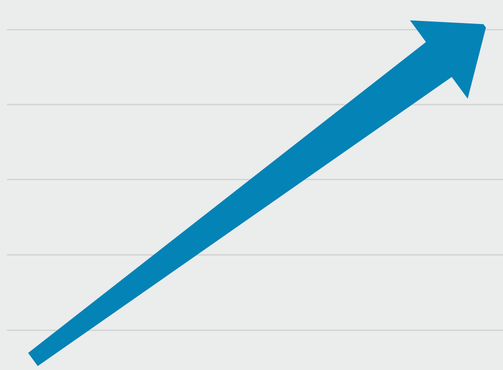
OVERVIEW

During the financial year ended 31 July 2017 ("FY2017"), VS continues to thrive and grow from strength to strength in the EMS sector.

In fact, VS has been consistently ranked as one of the top 50 EMS providers in the world for the past 10 consecutive years from 2007 and 2016. In the latest edition of the Manufacturing Marketing Insider Top 50 for 2016, VS is ranked 28th, rising three spots from 31st in the prior year.

FY2017 is indeed a very memorable year for us as we broke several records in our stride, including:

- ✓ Achieved record high revenue of RM3.28 billion, rising 50.8% from a year ago;
- ✓ Posted 4th consecutive record breaking revenue from FY2013 to FY2017;
- ✓ Achieved record high net profit attributable to owners of the company ("net profit") of RM156.3 million, up 32.6% from FY2016;
- ✓ Successfully commenced mass production of the first model of single-serve coffee brewer for a key customer that was fully designed by our in-house R&D team. The model has thus far registered brisk sales and received positive reviews from end-user consumers;
- ✓ 2nd consecutive year to be recognised and to have won awards at The Edge Billion Ringgit Club



RM **156.3** MILLION

RECORD NET PROFIT FOR FY2017

Additionally, we would like to share with our shareholders several other proud achievements:

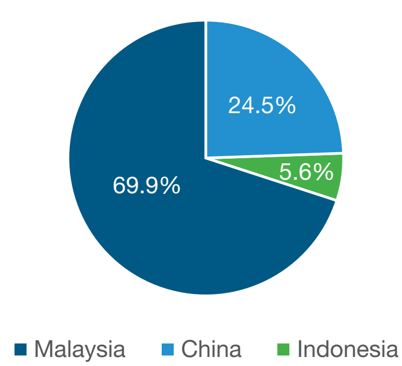
- ✓ Our Hong Kong-listed subsidiary, V.S. International Group Limited ("VSIG"), achieved turnaround in financial performance with Profit Before Tax ("PBT") of RM17.4 million against a Loss Before Tax ("LBT") of RM18.9 million in FY2016;
- ✓ VS is on track to record the highest dividend payout in the corporate history amounting to an estimate of RM71.1 million for FY2017 (should shareholders approve the proposed final dividend of 1.0 sen at the upcoming Annual General Meeting ("AGM"));
- ✓ Our 11.7%-stake investee company, Australia-based Seeing Machines Limited ("SML") that is listed on the Alternative Investment Market of the London Stock Exchange, saw the debut of its FOVIO driver monitoring technology in General Motor's 2018 Cadillac CT6 model, marking its first mass deployment of Driver Monitoring System ("DMS") technology in the automotive industry.

Despite our achievements above, we do not intend to rest on our laurels. We remain on an expansion mode with the conviction that there is much more potential to be realised as we grow along with our customers. We certainly believe the best has yet to come.

FINANCIAL PERFORMANCE REVIEW

The Group revenue soared 50.8% year-on-year ("y-o-y") to achieve a record high of RM3.28 billion in FY2017. We are proud to have successfully breached the RM3 billion revenue mark in just one year after we first broke the RM2 billion mark in FY2016. The surge in revenue was largely attributed to significant increase in sales orders from major customers across our key operating markets in Malaysia, Indonesia and China.

Revenue Breakdown by Country



MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

In terms of revenue contribution by geographical segments, Malaysia remains the largest market for VS, generating 69.9% of the Group turnover, followed by China (24.5%) and Indonesia (5.6%). Revenue from local operations increased 54.0% y-o-y in FY2017 to RM2.29 billion on the back of higher production output, while turnover from operations in Indonesia and China too, registered 53.2% and 42.1% y-o-y growth to RM182.3 million and RM803.5 million respectively. For Indonesia, the increase in sales was also due to a change in billing practice following the provision of turnkey manufacturing services for an existing customer.

Group PBT in FY2017 jumped 57.7% y-o-y to RM223.7 million in tandem with the rise in revenue. In addition to higher revenue, the larger-than-proportionate increase in PBT was also attributed to lower impairment losses incurred in FY2017 by comparison to FY2016. In FY2017, VS recorded impairment losses of RM4.0 million on our investment in SML as well as revaluation deficits on properties of RM12.0 million. The latter was mainly a result of the strengthening of US Dollar ("USD") against Indonesia Rupiah since the completion of construction in 2014. In the absence of these non-operational items, FY2017 Group PBT would have been 7.2% higher at RM239.7 million vs. the reported RM223.7 million.

Geographically, Malaysia operations contributed the bulk of Group PBT at RM204.0 million. Meanwhile, we are delighted to share that operations in China recorded a turnaround with PBT of RM17.4 million in FY2017 vs. LBT of RM18.9 million a year ago on higher production output and absence of impairment losses which dragged down performance in FY2016. As for Indonesia, the operations posted a small LBT of RM5.1 million chiefly owing to the revaluation deficits on properties. Excluding the revaluation deficits on properties, Indonesia operations would have been profitable.

It is noteworthy to mention that FY2017 PBT included maiden profit contribution from our associate company, NEP Holdings (Malaysia) Berhad ("NEP"), following the completion of acquisition of a 20%-stake in NEP on 2 November 2016.

Net profit for the Group came in at historic high of RM156.3 million in FY2017, surpassing the previous record of RM132.7 million achieved in FY2015, and was 32.6% higher than the RM117.9 million in FY2016. Excluding the one-off non-operational impairment loss and revaluation deficits on properties in FY2017, net profit would have been higher at RM169.3 million against the reported RM156.3 million.

CAPITAL STRUCTURE AND CAPITAL RESOURCES

The equity attributable to owners of the company was 20.2% higher y-o-y at RM1.06 billion in FY2017, mainly on higher retained profits, revaluation gain on properties and higher share capital arising from equity settled share-based transactions.

During the year under review, the Group incurred capital expenditures amounting to RM166.9 million on acquisition of property, plant and equipment to expand and enhance our production output in order to meet the rising demand from our customers. This was funded through a combination of internally generated funds and bank borrowings.

The bank borrowings of VS stood at RM706.9 million as of 31 July 2017, of which approximately 83.2% comprise short term funding instruments. The net gearing ratio of VS remained healthy at 0.3x. Apart from stable and healthy net gearing, the Group balance sheet is supported by high cash holdings of RM344.9 million and net assets of RM1.06 billion. VS generated a positive net operating cash flow of RM76.9 million in FY2017.

BUSINESS AND OPERATIONAL REVIEW

FY2017 was an extremely busy year for us at VS. We experienced significant increase in sales orders from our major customers and in order to meet the surge in demand, we have had to make meticulous planning in terms of human resources, raw materials sourcing, procurement of machinery and equipment as well as expansion of production space. The planning was subsequently put into execution by our capable teams at VS. All in all, we have added several new complete product assembly lines which increased our production output substantially.

BUSINESS AND OPERATIONAL REVIEW (CONT'D)

During the year under review, we have also successfully mass produced a new model of single serve coffee brewer for a key customer that was fully designed by our R&D team. VS is granted eighteen months of production exclusivity for our role in designing the product. We are extremely delighted to share that the coffee brewer has enjoyed brisk sales and received high positive ratings from end-user consumers, a testament to our capabilities as the Original Design Manufacturer ("ODM").

Undoubtedly, the operating environment remains highly challenging and competitive. On one end, the operating cost is constantly on an uptrend threatening our profitability while on the other hand, there is always cost down pressures from our customers. As such on a daily basis, we strive to strike a delicate balance between the two opposing pressures through prudent cost management, constant productivity enhancement and hands-on guidance from the experienced management personnel.

As a vertically integrated EMS provider, we possess all the necessary core capabilities and competencies in-house including tooling, plastic injection, printed circuit board assembly and complete product assembly. Nevertheless, as we strive to further improve our competitive edge and to deliver enhanced value to our customers, we are constantly on the lookout for companies that would strengthen and complement our service offerings. During the year under review, we had successfully acquired a 60%-stake in Skreen Fabric (M) Sdn Bhd ("SFSB") for a total of RM7.5 million in cash. SFSB and its subsidiary essentially manufacture and supply high-quality screen mesh, industrial filter fabrics and non-woven fabrics as well as precision filters. Prior to the acquisition, SFSB is already supplying components to VS and hence, there are synergies to be realised by bringing SFSB under the stable of VS.

In the age of technological advancement, manufacturing automation is increasingly becoming more important on the production floor. Moreover, issues such as rising cost of labour and scarcity of human resources are certainly push factors towards automation. The Industry 4.0 revolution is already underway, and we must not be left behind. To this end, we are actively increasing the automation level at our production floor. Over the past year, our operations in China has successfully automated a number of manufacturing processes and reduced reliance on manual labour. We shall continue our push towards automation in China, and at the same time, we also plan to replicate the automation efforts in our operations in Malaysia from next year onwards.

We are currently constructing a new factory in Senai, Johor with a built up of 180,000 square feet, which is expected to be completed by June 2018. With this latest addition, we would have in excess of 3 million square feet of production cum warehouse space across three countries to serve our customers.

Further away in Australia, SML is making encouraging progress with its machine learning vision technologies that enable machines to see, understand and assist people through the use of Artificial Intelligence. SML's FOVIO driver monitoring technology is making its debut in General Motor's 2018 Cadillac CT6 model. SML's DMS forms an integral part of General Motors' industry leading Super Cruise hands-free driving system for the highway, and it also marks the maiden mass deployment of DMS technology in the automotive industry.

OUTLOOK AND PROSPECTS

Our revenue has grown significantly over the past two years, rising from RM1.94 billion in FY2015 to RM2.18 billion in FY2016 before reaching RM3.28 billion in FY2017. Despite the rapid growth, we believe there is still sizeable room for further expansion going forward.

With our R&D competency and vertical integration capability, we shall continue to work closely with our customers to be involved early in the development phase of their new products. We strive to further elevate our role as the ODM for our customers where possible. VS currently serves as ODM for a number of our customers' products and is constantly in discussions for new opportunities available. Furthermore, we are also exploring with several prospective customers and hope some of these potentials shall materialise into sales orders in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

OUTLOOK AND PROSPECTS (CONT'D)

All in all, the management is excited with our prospects. From the current position, we are preparing ourselves for the next level of growth. Barring unforeseen circumstances, we are optimistic of our financial performance going forward.

ANTICIPATED OR KNOWN RISKS

Currency risks

As an export-based entity, VS is subject to currency risks. The currencies giving rise to this risk are primarily USD and RM. The Group uses forward exchange contracts from time to time to hedge its foreign currency risk. Additionally, the Group also incur purchases in USD, and hence there is partial natural hedge to a certain extent. While VS deals with other currencies as well such as Euro, Singapore Dollar, Japanese Yen and Hong Kong Dollar, the exposure is not significant.

Changes in regulations and policies

With our operations located in three different countries, changes in each country's regulations and policies may have impact on our operations. This include issues such as minimum wages, quota on intake of foreign labour, levies on hiring foreign labour, foreign exchange controls and export restrictions to name just a few.

As a law abiding corporate citizen, we ensure our operations comply with all the regulations and policies. We do engage regularly with authorities and relevant business associations to provide our feedback and to gain insights into prospective changes in order to be better prepared for any potential changes.

DIVIDEND

The Board is proposing a final dividend of 1.0 sen per ordinary share for the financial year ended 31 July 2017, subject to the shareholders' approval at the forthcoming AGM.

For the year under review, the Board had earlier declared four interim dividends totalling 4.9 sen per ordinary share, amounting to RM58.6 million. Together with the final dividend, total dividend would be 5.9 sen per ordinary share with payout of RM71.1 million.

This represents dividend payout of 45.5% for FY2017, which is above our dividend policy of distributing at least 40% of net profit. Consistent with our record financial performance for the year under review, the dividend in FY2017 is also the highest payout in the history of our Group.

DATUK BEH KIM LING
Executive Chairman
Age 59, Male, Malaysian

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

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

He holds directorship positions in various subsidiary companies of the Company and also in other private limited companies. Datuk Beh is the brother-in-law to Datuk Gan Sem Yam and Dato' Gan Tiong Sia. Datuk Beh has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past five (5) years.

DATUK GAN SEM YAM
Managing Director
Age 61, Male, Malaysian

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

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

Datuk Gan was instrumental in the business integration and expansion of the Group since 1990. He sits on the board of various subsidiary companies of the Company and also holds directorship in other private limited companies. Datuk Gan is the brother to Datin Gan Chu Cheng and Dato' Gan Tiong Sia and brother-in-law to Datuk Beh Kim Ling. Datuk Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past five (5) years.

TAN SRI MOHD NADZMI BIN MOHD SALLEH
Senior Independent Non-Executive Director
Age 63, Male, Malaysian

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

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

He is also the Executive Chairman of Express Rail Link Sdn. Bhd. and Nadicorp Holdings Sdn. Bhd. He also sits on the Board of Konsortium Transnasional Berhad, Transocean Holdings Berhad, Kumpulan Kenderaan Malaysia Berhad and Park May Berhad.

Tan Sri Mohd Nadzmi obtained a Bachelor of Arts Degree in Economics and a Bachelor of Science Degree in Chemistry and Mathematics from Ohio University, USA in 1978. He later obtained a Master of Arts Degree in Economics and Statistics from Miami University, USA in 1980. Tan Sri Mohd Nadzmi does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

DIRECTORS' PROFILE
(cont'd)

DATIN GAN CHU CHENG
Executive Director
Age 63, Female, Malaysian

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

She sits on the board of various subsidiary companies of the Company and also holds directorship in other private limited companies. Datin Gan is the spouse of Datuk Beh Kim Ling and sister to Datuk Gan Sem Yam and Dato' Gan Tiong Sia. Datin Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. She has not been convicted of any offences within the past five (5) years.

DATO' GAN TIONG SIA
Executive Director
Age 57, Male, Malaysian

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

He also sits on the board of various subsidiary companies of the Company. Dato' Gan is the brother to Datin Gan Chu Cheng and Datuk Gan Sem Yam and brother-in-law to Datuk Beh Kim Ling. Dato' Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past five (5) years.

NG YONG KANG
Executive Director
Age 56, Male, Malaysian

Ng Yong Kang joined the Board on 1 August 2005. He comes with extensive engineering and operations experience in the manufacturing sector, with multinational corporations like General Electric (TV) Sdn. Bhd., Thomson Audio Muar Sdn. Bhd., Lion Plastic Industry Sdn. Bhd. and Likom Group of Companies. He also sat on the board of several private companies in Malaysia, Singapore, People's Republic of China, United States of America and Mexico.

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

He currently sits on the board of Seeing Machines Limited, as well as various subsidiary companies of the Company. 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 five (5) years.

PAN SWEE KEAT
Independent Non-Executive Director
Age 54, Male, Malaysian

Pan Swee Keat 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 specialises 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 five (5) years.

TANG SIM CHEOW
Independent Non-Executive Director
Age 58, Male, Malaysian

Tang Sim Cheow 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 five (5) years.

CHONG CHIN SIONG
Alternate Director to Datin Gan Chu Cheng
Age 50, Male, Malaysian

Chong Chin Siong was appointed to the Board on 1 August 2014. He graduated from Universiti Sains Malaysia with a Bachelor of Management (Accounting and Financial Management) Degree in 1992.

He has extensive experience in internal audit, corporate finance and financial management, started his career with Deloitte KassimChan in 1992, and later joined Leong Hup Holdings Berhad as Assistant Accountant. In 1997, he joined Harta Packaging Industries Sdn. Bhd. as Financial Analyst, where he was promoted to Internal Audit Manager, and subsequently Financial Controller. He assumed the position of Deputy General Manager with Harta Packaging Industries (Cambodia) Ltd in 2005, before becoming Assistant General Manager with PCCS Garments Ltd, Cambodia.

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

Mr. Chong does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

SENIOR MANAGEMENT TEAM

MOHAMAD BIN YUSOF
President Director, PT. V.S. Technology Indonesia
Age 52, Male, Malaysian

Mohamad bin Yusof joined the Group in 1991 as Production Executive, and was subsequently promoted to Factory Manager in 1995. He was appointed as Vice President Director of PT. V.S. Technology Indonesia in 2002, and was subsequently promoted to President Director in 2005.

Mr. Mohamad holds a Certificate in Electronic. Prior to joining the Group, he held production roles in various companies in the electronics sector.

Mr. Mohamad 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 five (5) years.

LEE YOON SANG
Senior General Manager
Age 66, Male, Singaporean

Lee Yoon Sang joined the Group in 2005 as General Manager, and was subsequently promoted to Senior General Manager in 2014. He has 40 years of experience in the Electronics and Semiconductors industries.

Mr. Lee is the brother-in-law of Datuk Gan Sem Yam. Mr. Lee does not have any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

GAN PEE KE'NG
Senior General Manager
Age 49, Male, Malaysian

Gan Pee Ke'ng joined the Group in 1989 as Management Trainee, and was subsequently promoted to General Manager in 2005. He was appointed as Senior General Manager in 2011. He has more than 20 years of experience in the plastic injection, finishing and electronics & electrical assembly industries.

Mr. Gan is the nephew of Datuk Beh Kim Ling, Datuk Gan Sem Yam, Datin Gan Chu Cheng and Dato' Gan Tiong Sia. Mr. Gan does not have any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

We acknowledge that businesses play a vital role in driving effective sustainable change. Our inaugural Sustainability Statement (the "Statement") supports how we at V.S. Industry Berhad embrace sustainability as part of our daily business. This Statement covers V.S. Industry Berhad ("VSI") and two of its subsidiaries, namely V.S. Electronics Sdn Bhd ("VSE") and V.S. Plus Sdn Bhd ("VSP") located in Malaysia, collectively referred to as "VS Industry", the "Company" or the "Group". Information disclosed in this Statement encompasses our activities related to manufacturing, assembly and sale of plastic moulded components and parts, and our electrical products business segment, which together contribute to more than 65% of the Group's total revenue. Our reporting period is from 1 August 2016 to 31 July 2017, unless otherwise stated. This Statement was prepared on a best effort basis and we would look into narrowing any gaps in our reporting for the coming years. This Statement has been prepared in accordance with the Amendments to the Listing Requirements and Sustainability Reporting Guide and Toolkits, issued by Bursa Malaysia Securities Berhad. In preparing this Statement, we have engaged an external sustainability advisory team to both facilitate and strengthen our reporting approach from a sustainability perspective.

OUR SUSTAINABILITY STRATEGY: MOULDING EXCELLENCE

"We have invested considerably in R&D and high tech equipment to improve our process efficiency and increase productivity in order to gain a competitive advantage"

-Datuk Gan Sem Yam, V.S. Industry Berhad Group Managing Director-

We at VS Industry believe sustainable practices are integral to carrying out our business. Equipped with our 5 pillars of sustainability strategy, we are well poised to commit to the betterment of the larger society while still undertaking the fundamental purpose of an enterprise.

Our 5 Sustainability Pillars resonate well with our sustainability aspiration of striving to be a **sustainability-led innovator**, create an **integrated & resilient workforce**, and maintain **community & eco-friendly consciousness**, which is illustrated in Diagram 1 below:

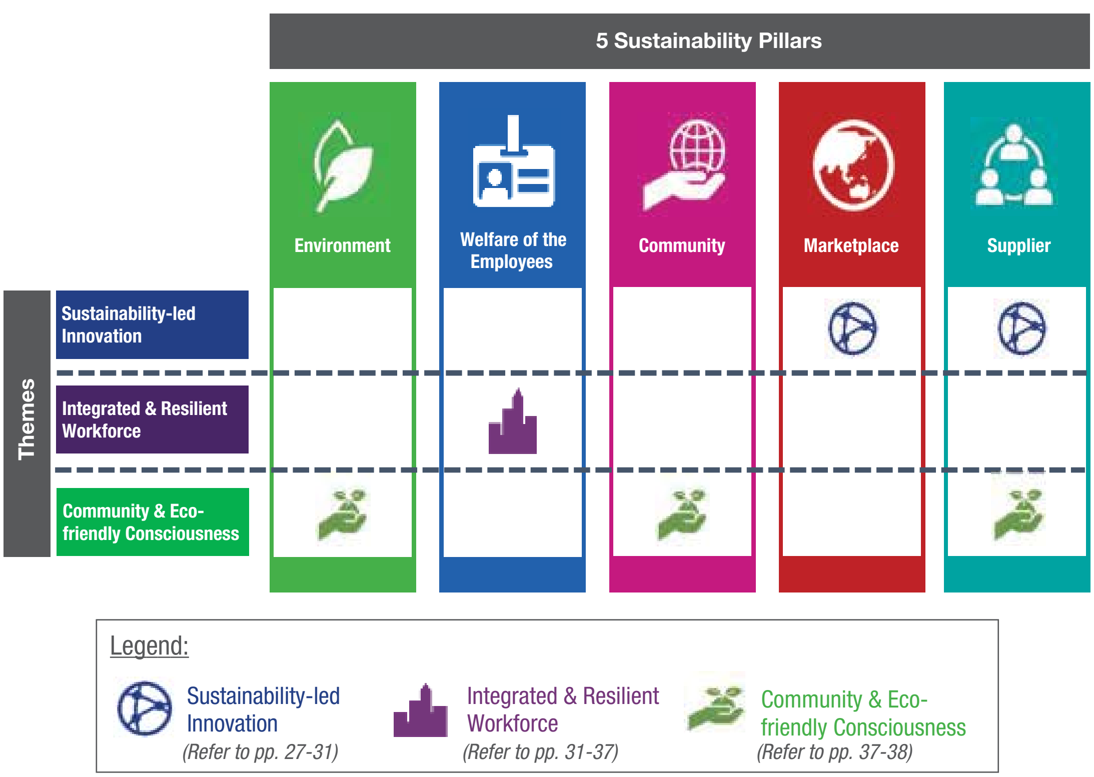


Diagram 1: Inherent link between our sustainability strategies and sustainability matters categorised across the 3 sustainability themes

Our *sustainability-led innovations* are apparent in our approach to constantly be on the look-out for more sustainable yet effective and efficient methods of manufacturing advanced technologies for the future.

Integration and resilience of our workforce is achieved through providing a conducive working environment besides fair treatment and talent development for the workforce.

We pride ourselves in being conscious about the community and operating in an environmentally sustainable manner.

Our "Sustainability Policy" supports our commitment to reaching an equilibrium between being at the forefront of our industry and meeting the commercial expectations of our stakeholders. The said Sustainability Policy entails:

- Compliance of highest ethical standards of suppliers;
- Compliance to environmental and occupational safety and health regulations;
- "Green" principles in procurement and manufacturing practices;
- Reduction of material consumption through recycling of all waste materials;
- Management and disposal of waste in a responsible manner;
- Commitment to ensure a safe and healthy working environment;
- Fair treatment of employees;
- Training and development of employees;
- Contributions towards local authorities and communities;
- Uphold business excellence and continuity;
- Commitment to continual Research & Development in achieving product innovation;
- On-going development of clients for long-term partnerships; and
- Compliance to better practices under the Malaysian Code of Corporate Governance.

OUR SUSTAINABILITY GOVERNANCE STRUCTURE: INJECTING POSITIVE METAMORPHOSIS

Our Sustainability Working Group ("SWG") was formed in 2017 to enhance our existing governance structure in relation to sustainability. The SWG, reporting to the Group Managing Director, is chaired by our Group Financial Controller and supported by the Heads of six Departments of VS Industry: Finance, Risk, Human Resources, Supply Chain, Marketing and Operations.

The role of the SWG is to oversee the performance of VS Industry's sustainability efforts under the stewardship of the Group Managing Director ("MD"). The SWG is also supported by sustainability advocates or representatives from various functions within VS Industry.

The MD is tasked with overseeing the implementation of sustainability strategies set by the Board of Directors ("Board"). The Board is ultimately accountable for setting up sustainability strategies.

Beginning in the year 2018, SWG will provide continuous updates on VS Industry's sustainability performance to the MD and the Board. Diagram 2 below illustrates our sustainability governance structure:

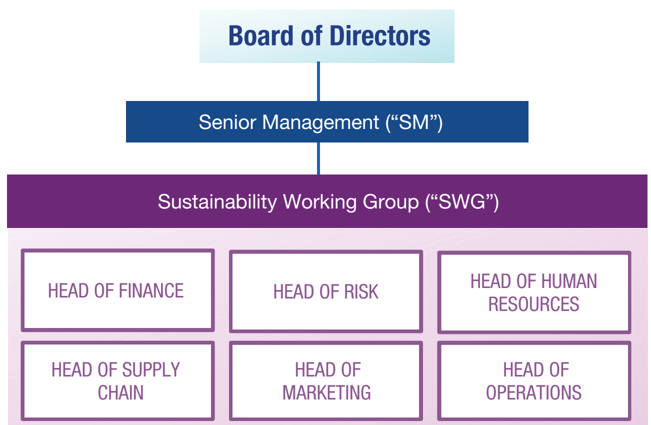


Diagram 2: Sustainability Governance

OUR STAKEHOLDERS: ALIGNING EXPECTATIONS

We continuously reach out to our stakeholders in order to appreciate their concerns in relation to our operating environment. Such engagements also provide opportunities for potential future collaborations. Table 1 below presents how we gather feedback from various stakeholder groups through multiple engagement channels. Such engagements are pivotal in understanding how various parties perceive our achievements and the areas we could improve on.

In the year 2017, guided by independent consultants, we undertook a structured stakeholder prioritisation exercise to identify and prioritise our stakeholders, based on the level of influence and dependence of these stakeholders over VS Industry. As depicted in Diagram 3, Board of Directors, Major Shareholders, Employees, Customers, Suppliers, and Government/ Regulatory Authorities were identified as the stakeholder groups that require most attention from VS Industry:

Stakeholder Groups	Engagement Channels	Engagement Areas
Board of Directors	■ Board meetings ■ Annual General Meeting ■ Company organised events	■ Corporate Governance ■ Company strategy
Major Shareholders	■ Annual General Meeting ■ Analyst briefings ■ Investor presentations and meetings ■ Financial statements ■ Press releases	■ Dividend ■ Return on investment ■ Financial performance ■ Share performance
Employees	■ Induction training ■ Learning and development programmes ■ Employee performance appraisal ■ Corporate organised events	■ Occupational safety & health ■ Fair remuneration ■ Fair employment practices ■ Career development opportunities
Customers	■ Face-to-face interaction ■ Manufacturing collaborations ■ Feedback survey ■ Customer audits	■ Manufacturing quality ■ Manufacturing capacity ■ Research & Development ■ Equitable business operations
Suppliers	■ Interviews ■ Evaluations/Re-evaluations ■ Face-to-face interaction	■ Agreeable contracts ■ Terms of payments ■ Maintaining partnerships
Government/ Regulatory Authorities	■ Ongoing interactions ■ Formal and informal meetings ■ Participation in government programmes and initiatives	■ Manufacturing issues and policies ■ Compliance to applicable laws ■ Economic, Environmental and Social impacts ■ Collaborative programmes related to the national agenda
Local Communities	■ Online platforms (e.g. social media & online applications) ■ Corporate volunteering programmes (e.g. community events, knowledge-sharing initiatives & partnerships with non-governmental organisations)	■ Support towards community development ■ Job creation for local communities ■ Undertaking business in a responsible manner
Analyst/Media	■ Press conferences and events ■ Media releases ■ Media interviews	■ Company performance ■ Responsible business ■ Corporate Governance
Industry Peers	■ Annual reports ■ Industry collaborative programmes ■ Industry organisations	■ Manufacturing practices ■ Industry outlook ■ Collaborations
Non-Governmental Organisations	■ Public events ■ Face-to-face interactions	■ Working conditions ■ Labour rights

Table 1: Stakeholder Engagement Channels & Areas

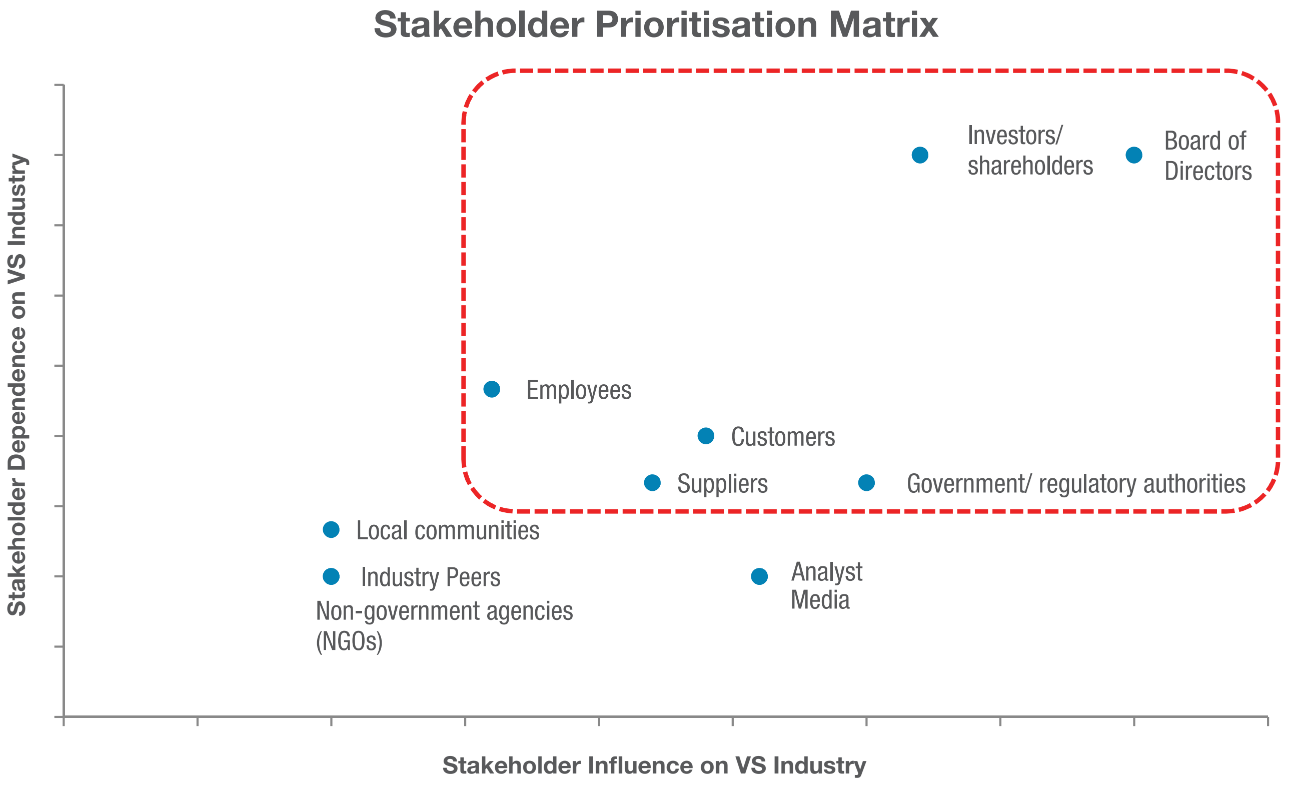


Diagram 3: Stakeholder Prioritisation Matrix

MATERIALITY ASSESSMENT: CONVERGING STRATEGIES & EXPECTATIONS

A formal materiality assessment process was conducted in 2017 to identify the economic, environmental and social risks and opportunities ("sustainability matters") most crucial to our business and stakeholders.

We initiated this process with a review of our operating environment so as to identify a list of sustainability matters both relevant to our Company and the sector we operate in. This review took into account internal and external factors such as business strategy, business risks and opportunities, peer reports, as well as emerging sustainability risks as disclosed by industry specific publications and international voluntary reporting standards.

Subsequently, a structured assessment was conducted with our Senior Management to prioritise the material sustainability matters from a business perspective. Additionally, specific engagements were conducted with key stakeholders – i.e. Board of Directors, Major Shareholders, Employees, Customers, Suppliers and Government/Regulatory Authorities – to identify sustainability matters of high importance to them. The outcome was then compiled into our Materiality Matrix, as depicted in Diagram 4.

Relying upon our Sustainability Pillars, efforts undertaken to manage our top ten material sustainability issues have been incorporated into our operations, as shown in Diagram 5.

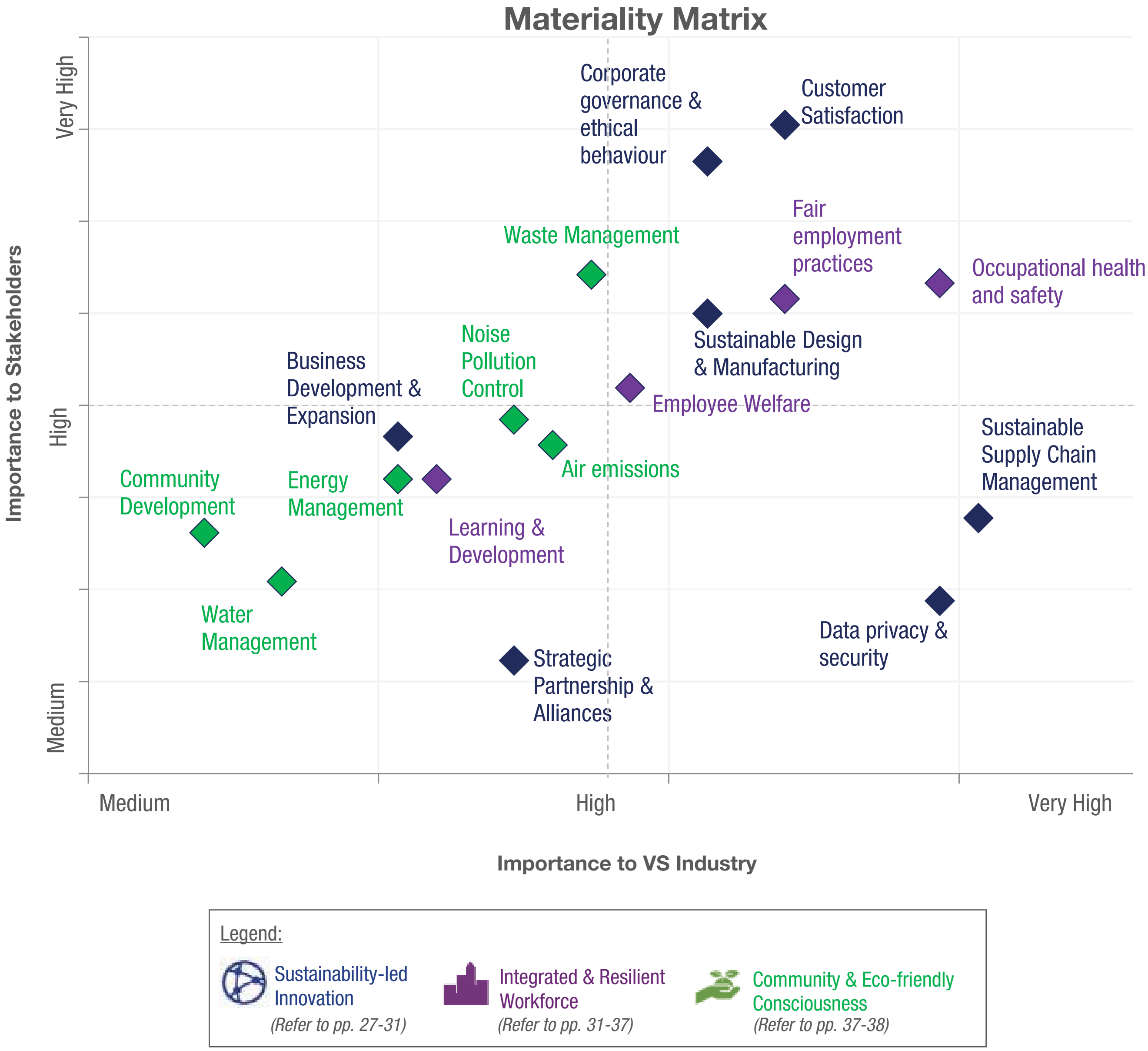


Diagram 4: Materiality Matrix

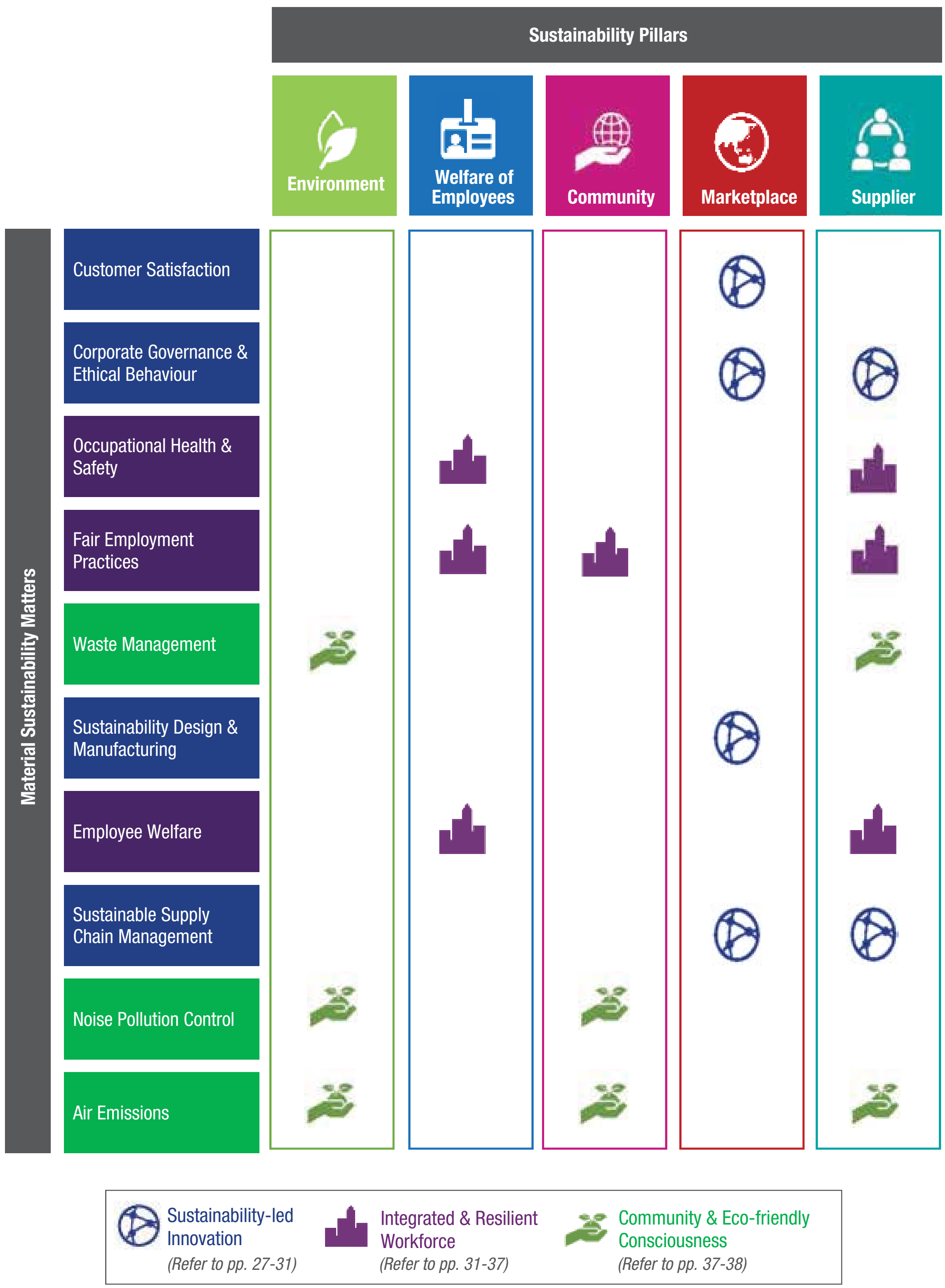


Diagram 5: Converging Strategies & Expectations

SUSTAINABILITY-LED INNOVATION

At VS Industry, continuously strengthening our core competencies is of the utmost importance in bringing greater value to our customers, allowing them to gain an edge in today's competitive marketplace. We regularly invest in crucial areas including R&D capabilities, production processes, our workforce, and machinery upgrades to maintain our lead in manufacturing excellence. We also endeavour to help our clients to optimise costs, while supporting them in implementing innovative and sustainable solutions. Our innovation initiatives in the reporting period spread across our business value chain, from sustainable product design to improving customer experiences and services as well as upholding integrity in our business conduct.

CUSTOMER SATISFACTION

VS Industry takes pride in its reputation for delivering a high quality experience for customers across multiple areas of operation. These efforts rely on our dedication to maintaining close ties with our customers. Whether technical, environmental or economic, the challenges our clients face are best addressed through our strategy of early involvement and integrated offering. We are committed to providing professional services and producing fine-quality products and fulfilling various needs of customers in the most cost effective manner whilst ensuring on-time delivery.

Customer Satisfaction Feedback

We place high importance on ensuring effective communication with our customers and regularly gathering customers' feedback through satisfaction surveys covering the aspects of our services, quality, delivery, technical support, and cost management.

We have established a Scorecard Review, a designed workflow system to handle customers' opinions promptly. The feedback received is then reported in our Customer Satisfaction Index which is 1 of the core measures for continuous improvement that drive customer–centricity. The annual average Customer Satisfaction Index of VS Industry in 2017 is 89%.

During the reporting period, we have improved the level of customer satisfaction in our business. It is our top priority to reach the highest satisfaction of customers and business partners. We strive to achieve our target of 85% for customer satisfaction.

Customer Satisfaction Index	
2016	**2017**
84.5%	89.0%

Table 2: Customer Satisfaction Index

We continue to improve internal processes and value all feedback from our customers whether positive or negative to meet and exceed customer expectations for better customer service management.

Feedback channels	Frequency	Details
VS Industry Scorecard	Biannually	Our key customers evaluated their satisfaction on VS Industry's services using balanced scorecard in areas such as quality, service and delivery, cost, supply chain sustainability and innovation.

Table 3: Customer satisfaction feedback channels

EICC Assessment

Meeting the requirements outlined in the EICC Code of Conduct is integral to our customer relationships. As part of our commitment to adhere to the EICC Code of Conduct, we assess our facilities through EICC-On Self-Assessment Questionnaire (SAQ) to identify social, environmental, safety and ethical risks and implement improvement plans or to update responses. After the assessments are completed, any required corrective action plans are put in place.

CORPORATE GOVERNANCE & ETHICAL BEHAVIOUR

VS Industry is committed to maintaining the highest standards in relation to corporate governance, ethics and compliance. We believe that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of a Company. This is pivotal to protect the interest of shareholders and stakeholders, and enhance shareholder value.

Given that good governance and ethical conduct is critical to building and maintaining trust and confidence, VS Industry has embarked on several on-going initiatives across all businesses and implemented various policies including but not limited to:

- Code of Ethics;
- Whistleblowing Policy and Procedures (Policy of Conflict of Interest incorporated in the Code of Ethics); and
- Personal Data Protection Policy.

We take cognisance on the importance of continually developing our practices to ensure that we conduct our activities in accordance with the laws, rules and regulations in the various locations we operate as well as support our employees to consistently uphold the highest standards of integrity and accountability.

Our policies are reviewed regularly to ensure they reflect any changes in legislative requirements and the business environment.

During Financial Year 2016 ("FY2016") and Financial Year 2017 ("FY2017"), no cases of ethics and integrity practices breaches were reported.

Code of Ethics (Do and Don't)

Our Code of Ethics Do & Don't provides a clear direction for conducting business and general workplace behaviour. It addresses issues of confidentiality, conflicts of interest, integrity in reporting, and the fair treatment of employees.

The Code of Ethics Do & Don't has been disseminated to all employees through the employee on-boarding program. This is to ensure full understanding of it and for proper embedding into the work culture at VS Industry.

All employees as part of their work should abide by the following:

- Obligation to make full, fair, accurate and timely disclosure of a variety of information including violation of Company rules as well as code of conduct to their superior;
- Obey the Company rules, applicable local, state or federal laws and regulation while at work place or whenever on Company businesses at all times;
- Never condone or participate in any bribery, inappropriate gratuity, corruption or illegal activities; and
- Never misuse position, authority, or influence by withholding protection assistance, or give preferential treatment in order to solicit sexual favours, gifts or any other advantage.

In addition to the internal Code of Ethics Do & Don't, VS Industry is also a member of the "Electronic Industry Citizenship Coalition (EICC)" and complies with the "Electronic Industry Code of Conduct".

Whistle-blowing Policy and Procedures

We are committed to achieving and maintaining the highest standards of integrity, openness, probity and accountability in the conduct of our businesses and operations.

We encourage all employees to raise serious concerns internally without fear of reprisal or victimisation, in a responsible and effective manner. Hence, all employees are responsible to report any instances of possible fraud, corruption, unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements, misappropriation and other irregularities within the Group.

Our Whistle–Blowing Policy provides for any complaint or report to be directly submitted to the Senior Internal Audit Manager, who upon receipt will communicate to the Chairman of the Board Audit Committee. He or she will then deliberate the concern with the Board and decide on the appropriate course of action.

The policy also includes provisions to safeguard the confidentiality of the whistle–blower and protection against reprisal and/or retaliation from their superiors or Head of Department.

For more information on the policy and procedure please refer to:

http://www.vs-i.com/investors/

Personal Data Protection Policy

We are committed to complying with relevant privacy and data security legislation as prescribed under the Personal Data Protection Act 2010 (PDPA). In 2013, we introduced Personal Data Protection Policy which stipulated that we shall not process personal data ("PD") unless the owner of the PD has given consent to the processing and we shall ensure that PD collected is not excessive for the intended purpose.

A prospective supplier, customer, employee and other individual who provides their personal data is required to sign the PDPA Notice to ensure statutory compliance with PDPA.

We have established an enterprise level security information force for governing the data to reduce the risk level and serve our customer needs. The total investment made to enhance data security protection system in this reporting year amounts to RM190,000. No breaches or incidents were reported during FY2016 and FY2017.

SUSTAINABILITY DESIGN & MANUFACTURING

VS Industry aspires to utilise sustainability as a catalyst for innovation and product design – and this goes beyond a mere branding exercise.

Along with rapid pace of globalisation and technological adoptions, innovation-led product replacements are expected to fuel growth in our manufacturing activity. The increasing collaboration between customers and our strong engineering and design team in crucial phases of product development and delivery helps us develop new synergies in our integrated capabilities.

Lean Manufacturing Programme

Our active pursuit of operational excellence is underpinned by the adoption of improvement methodologies through our Lean Manufacturing Programme. The programme focuses in reducing wasteful practices, processes and materials, defects in production and processes and improving quality and productivity. This is in line with the top 4 wastage sources identified in the manufacturing processes in a descending order - over-processing, cycle time, waiting time, and defects as depicted in following diagram.

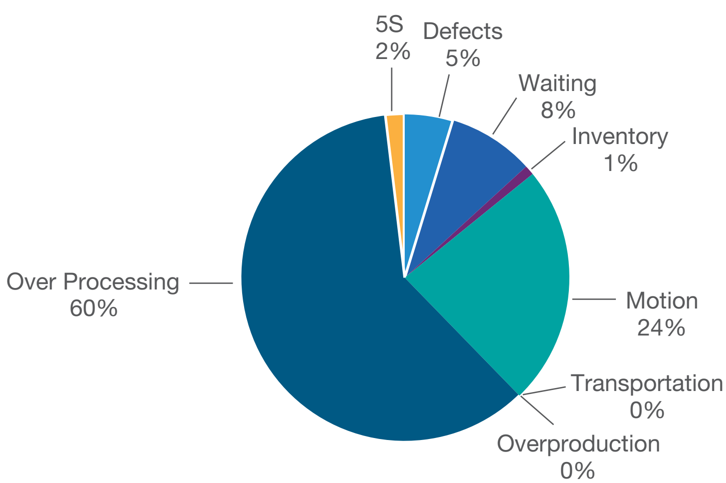


Diagram 6: Production lead time

We complement our customers' endeavours as we strive to hone our expertise in the manufacturing of innovative and technologically-driven products to remain the preferred manufacturing partner and a key enabler within the global product supply chain.

In addition to our geographical presence across 3 strategic Asian countries, our commitment to exceptional product quality, timely delivery, and cost competitiveness is proven through the achievement of a 100% production lead time improvement from 2 weeks to 1 week compared to previous year.

Production lead time	
2016	**2017**
2 weeks	1 week

Table 4: Production lead time

VS Industry has implemented the 5S workplace organisation method i.e. Seiri-Sort, Seiton-Straighten/Set, Seiso-Shine, Sweep, Seiketsu-Standardise, and Shitsuke-Sustain in workplace management in order to achieve enhanced working environment, human capabilities as well as productivity. In our efforts to ensure constant observance of the 5S Principles, monthly audits and inspections are performed at every VS Industry plant. Our efforts have led to an overall 10% improvement in productivity year-on-year. The table below shows a list of innovations that we have implemented in our product designs and the respective outcomes in the first quarter of 2017.

Actions	Impacts
Objective 1: Remove unnecessary part and process to eradicate over processing	
Automate on E-clip manual process to reduce manpower	Reduction of manpower and cycle time for insert E-Clip
Objective 2: Reduce cycle time	
Reduce cycle time on sub assembly FG packing, plus additional saving on miramit usage	Reduce 4 miramit bag usage out of 8 HWT packaging
Objective 3: Remove process waiting time	
Line rebalancing Mainline to reduce waiting time on process	Increase production output from 1850 to 1950
Objective 4: Remove unnecessary part	
Design simplification on screw location	Reduction on number of screws required

Table 5: Lean Manufacturing Program

Innovation in product design

In addition to improving our product design, our manufacturing units build new competencies in the vehicle safety segment, comprising innovative optical recognition and sensing technologies. Such innovation were developed to meet customers' various needs through our potential partnerships with our investment in Australia-based Seeing Machines Limited (SML).

SML is an award-winning technology provider of vehicle-operator safety systems, used by leading multinational companies spanning the automotive, mining, transport, and aviation industries, as well as by academia and the authorities.

In 2017, our investments in operational activities and Research & Development ("R&D") are 3 times more than the previous year as shown in the following figure.

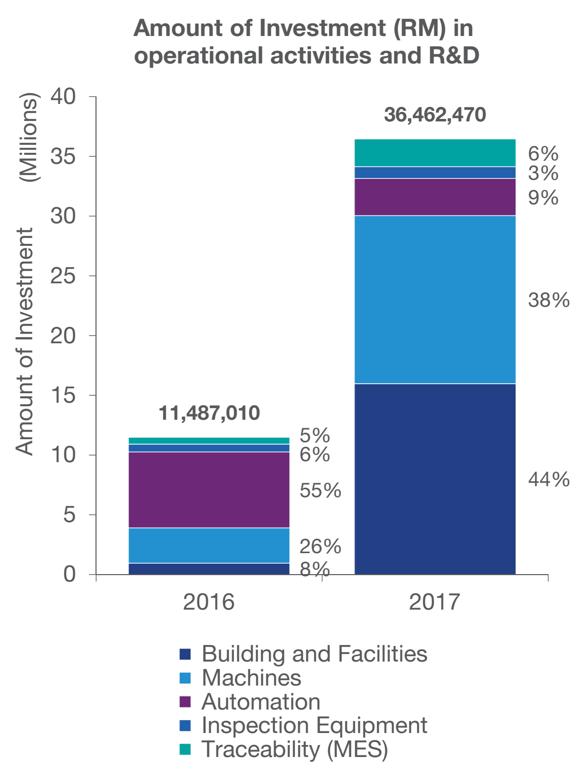


Diagram 7: Amount of investment in operational activities and R&D

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

As part of our aspiration to become the leader within our industry, VS Industry strives to ensure we do everything in a sustainable manner and this does not exclude our Supply Chain Management.

VS Industry has various initiatives in place to work towards a more sustainable Supply Chain Management. All Supply Chain Management activities are monitored and managed by the Supply Chain Department.

Supplier Ethical and Environmental Code of Conduct

Within the domain of policies and procedures, VS Industry has established a Supplier Ethical and Environmental Code of Conduct ("CoC"). The CoC was developed with the purpose of having VS Industry's suppliers comply with a minimum set of internationally acceptable conditions of employment, encompassing:

- No practice of forced labour;
- Prevention of child labour;
- Fair disciplinary practices;
- Health and Safety monitoring;
- Meeting legal requirements;
- Fair working hours;
- Fair wages and benefits;
- Freedom of association;
- Transparency; and
- The environment.

We do not just seek adherence to the CoC from our suppliers but also any sub-contractors they may engage in rendering their services to VS Industry. To date, all our trade suppliers have signed the CoC.

Besides the adherence to our CoC, vendors are also required to comply with Restriction of Hazardous Substances ("RoHS").

Appointment and Management of Suppliers

As far as practicable, we strive to attract local suppliers in our effort to spur the local economy. To date, VS Industry has more than 1,700 suppliers, trade and non - trade which consist of local and foreign entities.

Table 6 below depicts the percentage of local and foreign suppliers engaged by VS Industry:

Entity	2016		2017	
	Local	Foreign	Local	Foreign
VSI	82%	18%	77%	23%
VSP	55%	45%	52%	48%
VSE	60%	40%	59%	41%

Table 6: Percentage of local and foreign suppliers

Although we strive to engage local suppliers, many of the components required in our production are highly niche components hence the need to be sourced regionally or even globally. More often, if components to our specifications are available locally, we would opt for it.

We also strive to provide commercial support to local suppliers before foreign ones. In the financial year 2016 and 2017, VS Industry spent slightly over RM1.3 billion and RM1.6 billion respectively on vendors and suppliers. Table 7 below depicts the percentage of total spending on local and foreign suppliers:

Entity	2016		2017	
	Local	Foreign	Local	Foreign
VSI	79%	21%	60%	40%
VSP	57%	43%	52%	48%
VSE	20%	80%	17%	83%

Table 7: Percentage of amount spent on local and foreign suppliers

It would be in our best interest to prioritise local suppliers when it comes to our procurement practices. However, due to the nature of our operations which involves a considerable volume of highly niche electronics and mechanical parts which are not available locally, we are compelled to source said parts regionally. As for other parts available locally, we would certainly give priority to local suppliers when deliberating commercial decisions.

In ensuring continuous adherence to commercial terms as well as sustainable supply chain, supplier requalification evaluation is performed on randomly selected suppliers annually.

VS Industry monitors continuous adherence to our high standards through verification visits to suppliers' sites to perform assessments on their process and controls.

INTEGRATED & RESILIENT WORKFORCE

At VS Industry, we recognise the need to maintain a conducive and inclusive workplace to better position ourselves and exceed customers' expectations. We also believe that our employees are an important driving force to ensure sustainability across our operations. Our goal to support the Company's strategy in relation to human resources is to build a trustworthy and honest workforce committed to provide world-class services to our global customers.

OCCUPATIONAL HEALTH & SAFETY ("OHS")

VS Industry places great importance on the well-being and safety of its employees. Occupational health and safety impacts people's lives and our organisation's productivity, quality, and delivery of products and services.

Occupational Health & Safety Policy

Achieving high performance in occupational health and safety is among our business' top priority. We are therefore committed to continuously create and maintain a safe and healthy working environment across our activities as stipulated in our Occupational Health & Safety Policy which sets out our aspirations:

- Seek continuous improvement in our occupational health and safety performance by taking into account evolving community expectations and management practices;
- Comply with all applicable laws, regulations and standards and in instances where adequate laws do not exist, adopt and apply standards that reflect the Company's commitment to health and safety;
- Train and hold individual employees accountable for their area of responsibility;
- Manage risk by implementing management systems to identify, assess, monitor and control hazards and by reviewing performance;
- Communicate openly with employees, government and the community on occupational health and safety issues; and
- Periodically review occupational health and safety policy to ensure its effectiveness and suitability to the nature of work.

In our effort to track and protect the health and well–being of our employees, the number of incidents is tracked, consolidated on a monthly basis and disclosed annually. In 2017, we improved our safety performance, compared to the previous year. VSI experienced only 1 minor incident over the reporting period while VSE and VSP experienced no incidents for the reporting period compared to 0, 5 and 1 minor incidents respectively for the previous year. We believe that our improved performance is due to increased awareness on OHS initiatives through dissemination of the OHS Policy. Table 8 shows the number of incidents over the last 2 years:

Year	VSI	VSE	VSP
2016	0	5	1
2017	1	0	0

Table 8: OHS incidents

Occupational Health & Safety Initiatives

In terms of process, every employee is responsible to report any potential hazard immediately to their department head or safety committee member. Any injury regardless of severity must be reported immediately to Safety Officer who will arrange for investigation. The Safety Officer together with Safety and Health committee members will conduct an investigation and submit a report to the Department of Occupational Safety and Health (DOSH), Department of Labour Office, and Social Security Organisation (SOCSO).

In 2017, the Group continued to expand its initiatives around health, safety and security with a specific focus on the following events:

Event	2016	2017
Participation in Conference and Exhibition on Occupational Safety and Health Safety conducted by National Institute of Occupational & Health (NIOSH)	4 Safety & Health Officers	4 Safety & Health Officers
NIOSH annual site visit for Monitoring Of Noise Exposure Practical at VSI, Crushing area and Injection Moulding	16 participants	14 participants
Systematic Occupational Health Enhancement Level Programme (SoHELP)	-	2 year coaching programme by DOSH
Fire Drill within VS Industry premises	All employees involved	All employees involved
Fire Drill in Workers' Dormitories	All residents involved	All residents involved
Blood Donation Campaign (Twice per year)	**175 donors**	**82 donors**

Table 9: Health, Safety & Security Events

Promotion of Occupational Health & Safety

We conform to local occupational health and safety regulatory requirements and practice self-checks for operations and maintenance of facilities.

While we take every possible measure to safeguard the occupational health and safety of individuals involved in our operations, all our employees possess general duties to comply with occupational health and safety standard operating procedures in accordance to Section 25 of the Occupational Safety and Health Act 1994.

We continuously aim to improve our safety culture through the renewal and deployment of occupational health & safety trainings and courses delivered to selected personnel, as illustrated in the following table:

Training	2016	2017
Chemical Handling	14 participants	20 participants
Fire Fighting	13 participants	26 participants
First Aid	41 participants	21 participants
Forklift & Stacker Safety Driving	26 participants	56 participants

Table 10: OSH Trainings

FAIR EMPLOYMENT PRACTICES

In addition to developing a healthy and safe workplace, we strive to provide our employees a diverse and inclusive working environment where their human rights are respected. In upholding human rights of our employees and to prevent human rights violations, we have put in place policies and procedures to ensure a healthy, safe and secure workplace.

The following are key policies and measures enshrined in our Code of Ethics (Do and Don't) Policy Statement as well as our Employee Handbook.

Equal Employment Opportunity

In the appointment and recruitment process of VS Industry, we pride ourselves in being an employer that provides equal opportunities and continuously seek to promote it regardless of religious belief, age, creed, marital status, gender, family status or any disability. Our commitment in that respect applies to all areas of the work environment, all employment activities, resource allocation and all employment terms and conditions. Our staffing, hiring and retention strategies and procedures provide equal access to opportunity to all employees on the basis of merits.

In 2017, VSI, VSE and VSP had a combined workforce of 5,316 employees compared to 7,298 employees in 2016. The general decline in workforce was attributed to gradual transition towards adopting automated manufacturing processes. We categorise our employees into 3 groups, namely unskilled (A & B), semi-skilled (C, D & E), skilled & highly skilled (EX1 & above). Due to operational demand, the majority of our employees are unskilled workers comprising mainly assembly plant machine operators and assemblers, making up 72% of our workforce in 2017.

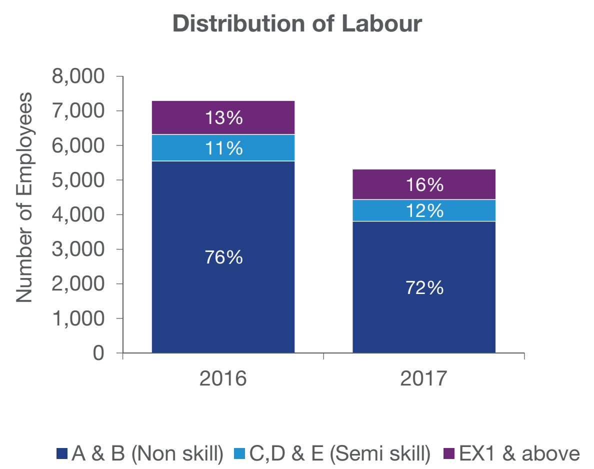


Diagram 8: Distribution of Labour

Workforce Diversity and Inclusion

As we embrace workplace inclusion across VS Industry, diversity is an important aspect of our management to ensure harmony at the workplace. Our diverse workforce spans across South Asia (5 countries) and South East Asia (5 countries). In 2017, the majority, 90% of our manpower is equally distributed between local talents, Nepalese and Indonesian employees. As part of our commitment to local development and practice of talent localisation, 98% of our managers in major operation sites are local individuals. A distribution of our workforce demographics in 2017 is illustrated in the following figure:

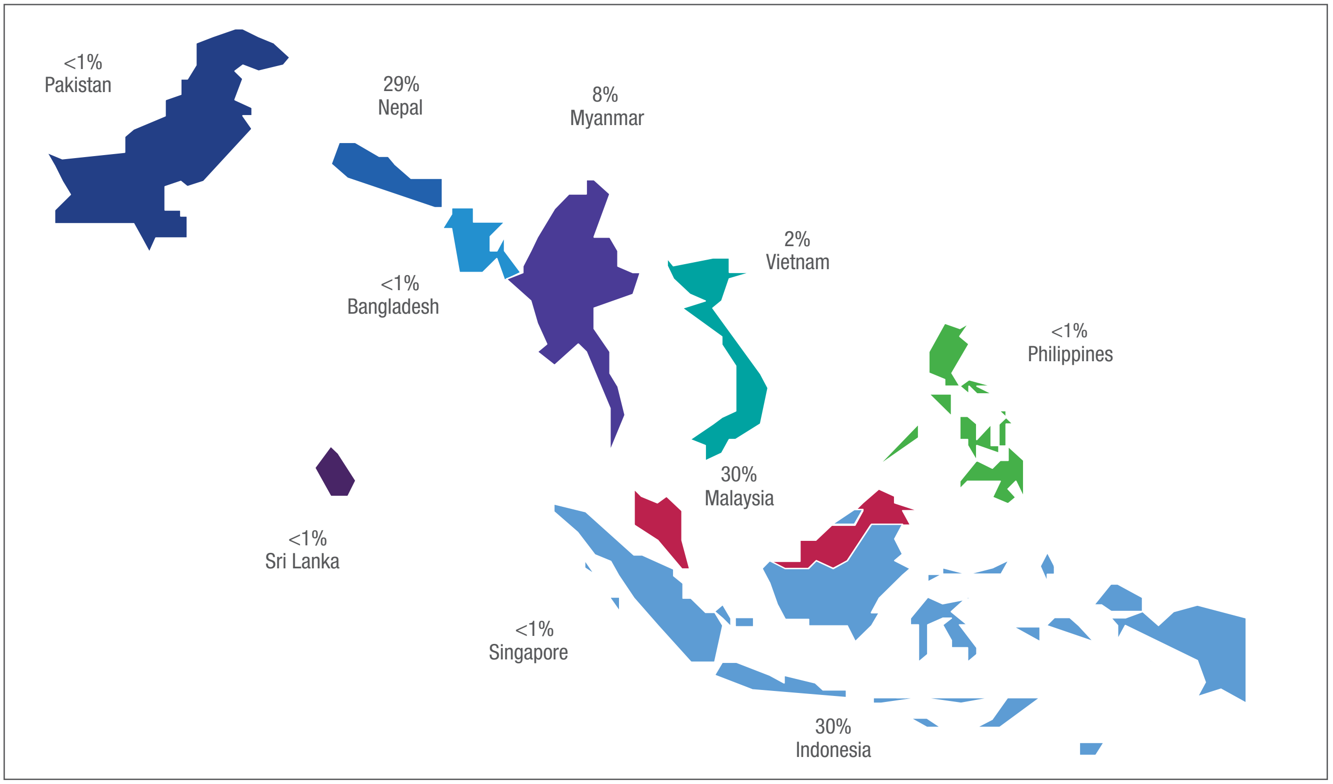


Diagram 9: 2017 Workforce demographics

Our gender distribution is also fairly represented with 52% men and 48% women in our workforce in 2017. This gender distribution was in reverse in 2016 with men representing 48% while women representing 52% of our workforce.

The majority of our employees are adults' ages from 18 to 35, comprising of 87% in 2016 and 85% in 2017 as shown in the following table.

Gender Distributions of Workforce

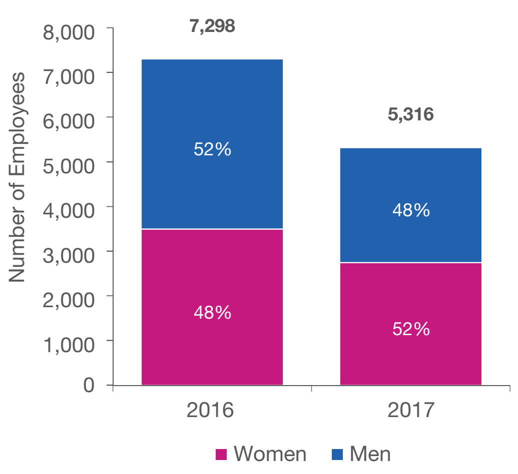


Diagram 10: 2017 Workforce demographics

Distribution of Employees' Ages

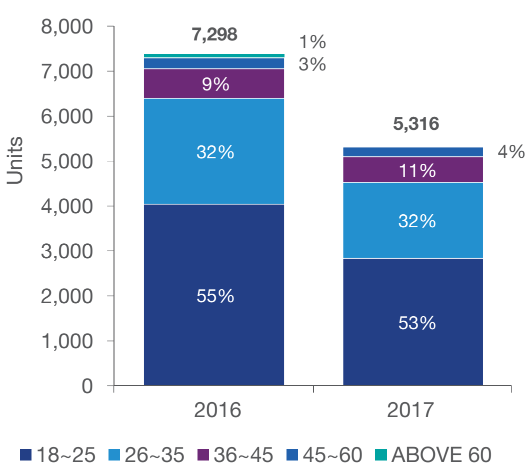


Diagram 11: Distribution of Employees' Ages

Prohibition of Harassment

We are committed to providing a work environment which is conducive, safe and free of any form of harassment and unlawful discrimination. The Group views sexual harassment as a serious violation of our rules and regulations and work values. To prevent discrimination, we have a Sexual Harassment Policy and a Grievance Procedure available to all and we ensure that employees are briefed about these.

During the reporting period there were no recorded instances of discrimination. Any employee found guilty of such misconduct will be subject to disciplinary actions that may include dismissal.

Adherence to Minimum Wage

We observe the Minimum Wages Order 2012 and its subsequent amendments as and when announced by the Government.

Prevention of Child Labour

We observe Children and Young Persons (Employment) Act 1966. After taking into account the Children and Young Persons (Employment) (Amendment) Act 2010 which came into force on March 2011:

- "Child" means any person who has not completed his/her 15th year of age; and
- "Young Person" means any person who, not being a child, has not completed his/her 18th year of age.

Nevertheless, as part of our operational nature, we will employ only those 18 years and above in our recruitment exercise. This is in line with the policies of the International Labour Organisation.

EMPLOYEE WELFARE

We value the contributions of our diverse employees and continuously attract talents to join us by providing a supportive working environment as well development opportunities. We provide an integrated welfare system and treat all employees equally on all of our sites.

Benefits and Compensation

In addition the various local statutory requirements and regulations on wages and benefits such as minimum wages order, employees' provident fund, employees' social security, and leaves provision, we provide our employees with personal accident and medical insurance coverage, transport and housing subsidies.

Other employee welfare bonuses include travel allowance, subsidies for continued education, dental and hospitalisation benefits, communications expenses, uniform and personal protective equipment, and application of residence permits for current employees, festive gifts and events. This is to express our Group's commitment for optimal work-life integration, and personal effectiveness.

Special leave of up to 2 working days per annum may be granted in circumstances such as wedding, any death of immediate family members, or natural disasters in addition to annual leave entitlement. Besides national holidays and weekends, there are accompanying paternal leave for male employees, maternity leave for female employees, earned paid sick leave, annual leave and paid-time off.

We also purchase Group Hospitalisation and Surgical (GHS) scheme for all local employees with a minimum sum insured RM75,000.

Long Service Awards

VS Industry recognises that the success of the Company is due largely to the dedication, support and commitment of its employees. As a gesture of appreciation, loyal employees who have served VS Industry for 2.5 and 3 decades respectively will be awarded the Long Service Award during our Annual Dinner Night. In 2017, a total of 42 long-serving employees were conferred the awards. Our employees' contribution and loyalty serves to inspire employees to stay motivated and grow with the Company.

Long Service Awards	Number of employees awarded
25th Years' Service Award	37 employees
30th Years' Service Award	5 employees

Table 11: Long service award conferred

Employee Engagement

VS Industry is committed to promoting social welfare. We seek to fulfil our corporate social responsibility commitment through our support and participation in various initiatives. A notable initiative is our effort in visiting the families of our workers located in countries like Vietnam, Myanmar, Indonesia, and Nepal in the year 2016 and 2017. This effort is intended to understand the predicament faced by families when a member leaves the country to seek employment. Following table shows the number of employees who have benefited from this initiative.

Number workers' family visited	2016	2017
Nepal	2	3
Vietnam	4	5
Myanmar	2	-
Indonesia	3	-

Table 12: Workers' family visited

In fostering camaraderie and building harmonious relationship amongst our employees, VS Industry has organised and sponsored various recreational activities emphasising in cultural development, cultural events, and gatherings. These activities among others include VS Group of Company Appreciation Dinner, Hostel Activity with Indonesian University Representative (POKJAR) & Embassy of Indonesia.

Numerous employees engagement activities conducted throughout the years include:

Events and activities	2016
Durian Festival	12th August 2016
Hostel Dialogue	28th August 2016
Vietnam Embassy Visit	22nd September 2016
Hostel Activity with Indonesian University Representative (POKJAR) & Embassy of Indonesia	23rd Oct 2016
Dashain Dinner with Nepal Embassy	18th November 2016
CSR Nepal	24th to 26th November 2016

Table 13: Events organised

Communication Channel

At VS Industry, our employees are encouraged to provide their suggestions and opinions through various channels that have been set up for them. We believe the Company's culture and work atmosphere can be improved by hearing the voices of our employees.

Grievance mechanism has been implemented following 2-step procedure for employees to report on inappropriate ethical behaviours and resolve workplace grievances.

Step 1: Within 2 working days of the grievance, the matter must be reported to an immediate superior by the concerned staff. A fellow colleague must accompany this staff during this report. If the matter is not settled, the staff, again with the company of a fellow colleague may escalate this matter to the next level of Management.

Step 2: If the matter is not settled within the period of further 2 working days, the staff is allowed to bring the matter to the attention of Human Resources Department. The Human Resources Manager shall hand down his decision on the matter within 2 working days. The decision shall be final.

In 2017, we received 22 workplace grievances from the employees, as compared to 2016 where 18 cases of workplace grievances complaints were recorded. These cases were investigated and all cases were closed per procedure and no cases of retaliation reported.

In addition to our existing grievance procedure, VSI launched the "Suara Kami" campaign in 2017. "Suara Kami" is an anonymous complaint platform as available via a help line to foreign employees to report inappropriate ethical behaviours and workplace grievances to an independent body such as Electronic Industry Citizenship Coalition ("EICC").

Training and Development

In building a strong workforce, we are committed to providing an environment for our employees to enhance their skills and knowledge within the industry. This will benefit not only the personal growth and development of our employees but also the Company's growth as a whole.

Training is also very important to ensure that our employees have the required competencies to perform their work and deliver their best output. We therefore encourage our employees to expand their knowledge and to foster personal growth and development by taking on new roles and responsibilities.

The following are 2 types of training provided to employees at VSI:

- On-the-job trainings catered mainly for operational employees; and
- Trainings comprising public seminars and in-house trainings with external trainers engaged to conduct a training for a group of employees.

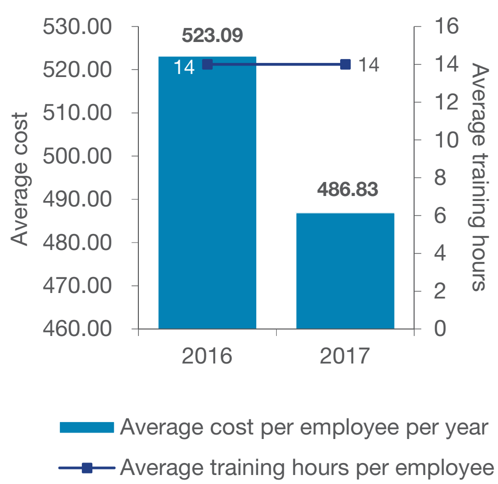


Diagram 12: Average hours and cost of in-house training

Note: This summary did not account for on-the-job trainings and other types of public training and team buildings based on the calendar year

We have organised various soft skill and technical trainings for our employees in recognition of the value training and development brings to the organisation. There were a total of 13 and 11 such trainings for the year 2016 and 2017 respectively.

COMMUNITY & ECO-FRIENDLY CONSCIOUSNESS

VS Industry's operations are based on governance mechanisms intended to ensure sound environmental practices in everything we do. In doing so, we are first and foremost committed to complying with regulatory requirements in all our activities, while keeping abreast of industry best practices. Our fundamental aim is to sustainably uphold operational excellence across our business value chain, which in return warrants the prudent use of natural resources.

WASTE MANAGEMENT

Given the nature and size of our operations, our processes produce significant amount of waste. VS Industry is subject to periodic assessments by the Department of Environment ("DOE") which ensures that we conduct business in an environmentally responsible manner.

We consistently strive to improve waste management in each of our entities. As part of the efforts undertaken to monitor our waste, our Safety Department was tasked with the management of all waste related matters.

VS Industry categorises waste as scheduled and non-scheduled waste as per Malaysian regulations. Scheduled waste is collected by DOE approved contractors pursuant to the Environmental Quality (Scheduled Wastes) Regulations, 2005. Non-scheduled waste on the other hand is scrapped or collected by selected waste collectors to be recycled or disposed at landfills.

In the year 2017, 1,417.5 metric tonnes (MT) of scheduled waste were generated by our 3 main entities as shown in table below.

Entity	Unit	2016	2017
VSI	MT	3.7	682.99*
VSP	MT	0.5	0.5
VSE	MT	122.09	734.02

* Jan-May 2017

Table 14: Scheduled waste generation

The steep increase of waste generated by VSI and VSE for the year 2017 is mainly attributed to a spike in orders of Printed Circuit Board Assembly (PCBA) products.

The main non-scheduled waste streams generated by VS Industry's operations are:

- Paper
- Wood
- Plastic
- Scrap metal
- Food waste

In our effort to reduce non-scheduled waste generation, we encourage employees to utilise available resources prudently in order to reduce waste generation.

NOISE POLLUTION CONTROL

As noise is inevitable in some of VS Industry's processes, we have implemented measures to mitigate the impact to both our workers. In particular, our stamping section has been identified as the process that generates the highest noise levels. We have established a Noise Emission Policy which is managed by the Safety Department and supports our commitment to monitoring and controlling noise levels.

Noise levels are subject to periodic assessments by an Environmental Consultant approved by the Department of Occupational Safety & Health (DOSH). Below are DOSH's requirement for noise exposure pursuant to the Factories & Machineries (Noise Exposure) Regulations (1989):

Noise level	Unit	Limit
Permissible exposure limit (PEL)	A-weighted decibels (dBA)	90
Action level (AL)	dBA	85
Impulsive noise peak level	dBA	140

Table 15: Factories & Machineries (Noise Exposure) Regulations (1989) Limits

In order to better control noise levels, we deploy engineering controls as far as reasonably practicable such as machineries being constructed with noise reducing specifications. We also mitigate employee noise exposure by ensuring Personal Protective Equipment (PPE) such as hearing protections are worn especially at sections with higher noise exposure. Audiometry tests for machine operators are carried out periodically to monitor employee's risk of detrimental exposure to noise.

AIR EMISSIONS

The nature of our industry does not generate significant air emissions but that does not exclude us from meeting regulatory standards set by the Department of Environment (DOE) pursuant to the Clean Air Regulation (2014). Our emissions to atmosphere that commenced only in late 2016 are channeled through 4 chimneys at VSI and VSE's facilities.

Our Safety Department conducts regular air emissions monitoring through stack/chimney sampling in order to ensure continuous compliance to DOE's limits.

The latest chimney sample sent to DOE in March 2017 is depicted in the following table:

Parameter	Unit	DOE Limit	Compliance			
			Chimney 1	Chimney 2	Chimney 3	Chimney 4
Ammonia	mg/m3	76	√	√	√	√
Chlorine	mg/m3	32	√	√	√	√
Hydrogen Chloride	mg/m3	200	√	√	√	√
Hydrogen Sulphide	mg/m3	7.5	√	√	√	√
Nitrogen Dioxide	mg/m3	700	√	√	√	√
Particulate Matter	mg/m3	50	√	√	√	√
Sulphur Oxides	mg/m3	100	√	√	√	√
Non-methane volatile organic compounds	mg/m3	150	√	√	√	√
Mercury	mg/m3	0.05	√	√	√	√

Table 16: March 2017 monitoring through stack/chimney sampling

The Board of Directors of V.S. Industry Berhad remain committed in ensuring that the Group continues to uphold high standards of corporate governance as a fundamental part of discharging its responsibilities to enhance shareholders' value and financial performance of the Group.

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

A. PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILIITIES

The Board retains full and effective control over the affairs of the Company and 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 Group effectively.

The Board Charter adopted by the Board clearly sets out the roles and responsibilities of the Board. The Board Charter is made available in the Company's website and is periodically reviewed and updated to take into consideration the needs of the Company as well as new regulations that may have impact on the discharge of the Board's duties and responsibilities. The last review was carried out in July 2017.

The principal responsibilities of the Board, amongst others, are:

- Reviewing and adopting strategic corporate plans for the Group;
- Overseeing the conduct of the Group's business;
- Identifying principal risks and ensuring the implementation of a proper risk management system and mitigation measures to manage such risks;
- Establishing a succession plan for senior management;
- Overseeing the development and implementation of shareholders communications policy;
- Reviewing the adequacy and the integrity of the management information and internal controls systems of the Group; and
- Approving key matters such as financial results as well as major investments and divestments and major capital expenditure.

Matters reserved for Board's decision include approval of corporate plans, material acquisitions and disposals, annual budgets and changes to the management and control structure within the Group, including key policies and delegated authority limits.

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 Secretaries in carrying out their duties. The Company Secretaries satisfy the qualification as prescribed under Section 235(2) of the Companies Act, 2016. The Company Secretaries advise the Board on any updates relating to compliance with regulatory requirements, codes, guidance and legislation pertaining to the Company, and promptly disseminates communications received from the relevant regulatory authorities. The Company Secretary organises and attends all Board meetings and is responsible to ensure that meetings are properly convened and the statutory records are maintained accordingly at the Registered Office of the Company.

Directors are furnished with an agenda and a set of meeting papers usually one (1) week prior to the Board meeting, to enable the Directors to study and evaluate in advance the matters to be discussed. The papers include minutes of previous meeting, financial results, forecast, latest development in the Group. All proceedings of the Board are minuted, reviewed at the subsequent meeting and signed by the Chairman on the meetings.

A. PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILIITIES (CONT'D)

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which can be viewed from CCM's website at www.ssm.com.my. The Code of Ethics provides guidance to the Directors of the Company in performing their duties as it aims to establish a standard of ethical behaviour based on trustworthiness and values as well as uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for adminintration of a company.

The Company recognises that any genuine commitment to detecting and preventing actual or suspected unethical, unlawful, illegal, wrongful or other improper conduct must include a mechanism whereby employees can report their concerns freely without fear of reprisal or intimidation. To this end, the Company has adopted a Whistleblower Policy which is disseminated to employees.

The Group is committed to operating in a sustainable manner and seek to contribute positively to the well-being of stakeholders. Details of the Group's key corporate responsibility is furnished in the Sustainability Statement on page 21 of the Annual Report.

B. PRINCIPLE 2: STRENGTHEN COMPOSITION

The Board, in discharging its fiduciary duties, is assisted by the four (4) Board Committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee, each entrusted with specific tasks. The terms of reference of each Committee have been approved by the Board.

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

The membership of the Nomination Committee are as follows:

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

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

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

The terms of reference of the Nomination Committee are available for reference at www.vs-i.com.

There is a process for selection, nomination and appointment of suitable candidates to the Board. Potential candidates can be identified by the Nomination Committee, existing Directors or any shareholder through internal or external sources. The Nomination Committee recommends candidates suitable for appointment to the Board, and the final endorsement lies with the Board.

The Nomination Committee ensure the appointment is made on merit, and to ensure the required mix of skills, experience and expertise of members of the Board is sufficient. The Nomination Committee will also consider whether such candidate meets the requirements as defined in Bursa Securities' Listing Requirements.

There is a formal evaluation process to assess the effectiveness of the Board as a whole and its Committees, as well as the contribution and performance of each individual Director. The criteria used, amongst others, include individual Director's knowledge and experience in the Group's core business, personal qualities, professional skills and business development skills.

B. PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

While the Board recognises the merits of gender diversity in strengthening the performance of the Board, the Board has not established any gender diversity policy. Nevertheless, the Board is pleased with the presence of one (1) female Director sitting in the Board.

The Company's Constitution 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 Constitution also provide that all Directors shall retire from office at least once in every three years but shall be eligible for re-election.

The activities of the Nomination Committee during the financial year included the following:

(a) considered and reviewed the Board's present size, structure and composition of the Board as well as the required mix of skills, experience and competency required;

(b) assessed and recommended to the Board for the continuation of service of the Directors who are eligible to stand for re-election based on the schedule of retirement by rotation; and

(c) assessed the independence of the Independent Directors who have served in the said capacity for more than nine years and recommended to the Board for the continuation of service.

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

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

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

The terms of reference of the Remuneration Committee are available for reference at www.vs-i.com.

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

Details of the nature and the amount of the Directors' remuneration for the financial year are as follows:

The Company	**Executive Directors RM'000**	**Non-Executive Directors RM'000**	**Total RM'000**
Salary	2,562	-	2,562
Bonus	901	-	901
Other emoluments	3,766	-	3,766
EPF	833	-	833
Benefits-in-kind	136	-	136
Fees	114	298	412
	8,312	**298**	**8,610**

B. PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

The Group	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Salary	11,469	-	11,469
Bonus	2,214	-	2,214
Other emoluments	7,142	-	7,142
EPF	1,711	-	1,711
Benefits-in-kind	136	-	136
Fees	213	430	643
	22,885	**430**	**23,315**

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

	Number of Directors	
Range of Remuneration	**Executive**	**Non-Executive**
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	-	1
RM200,001 to RM250,000	-	1
RM1,500,001 to RM1,550,000	1	-
RM2,150,001 to RM2,200,000	1	-
RM3,700,001 to RM3,750,000	1	-
RM3,900,001 to RM3,950,000	1	-
RM5,250,001 to RM5,300,000	1	-
RM6,250,001 to RM6,300,000	1	-
	6	**3**

C. PRINCIPLE 3: REINFORCE INDEPENDENCE

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

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

The Board should comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director as recommended by the Code. The Board is of the opinion that it is in the interest of the Group to maintain the current arrangement so that the Board could have the benefit of a Chairman who is knowledgeable about the business of the Group and is capable to guide discussion and brief the Board in a timely manner on key issues and developments. There are sufficient experienced and independent minded Directors on the Board to provide assurance that there is sufficient check and balance.

C. PRINCIPLE 3: REINFORCE INDEPENDENCE (CONT'D)

There is clear division of responsibilities between the Executive Chairman and Managing Director to ensure a balance of power and authority. The Executive Chairman is responsible for ensuring the smooth and effective functioning of the Board. His duties include providing leadership for the Board, ensuring that the Board carries out its responsibilities in the best interest of the Company and that all the key issues are discussed in a timely manner. The Managing Director has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions.

The Board has adopted the same criteria used in the definition of "independent directors" prescribed by the MMLR to assess independence of directors. For the financial year ended 31 July 2017, each of the Independent Non-Executive Directors has declared his independence to the Board based on its policy on criteria of assessing independence in line with the definition of "independent directors" prescribed by MMLR. The Board has assessed and concluded that each of the Independent Non-Executive Directors continue to demonstrate conduct and behavior that are essential indicators of independence, and each of them is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company.

The tenure of an Independent Director should not exceed a cumulative term of nine years as recommended by the Code. However, all the Independent Non-Executive Directors namely Tan Sri Mohd Nadzmi Bin Mohd Salleh, Tang Sim Cheow and Pan Swee Keat ("Independent Non-Executives Directors") who have served the Board for more than nine (9) years, the Board has assessed the independence of Tan Sri Nadzmi Bin Mohd Salleh, Tang Sim Cheow and Pan Swee Keat including reviewing their annual written confirmation of independence to the Company and their non-involvement in the day-to-day operation of the Group. Taking into consideration of their independent scope of works in the past years, the Board has considered all Independent Non-Executive Directors are still independent and has recommended Tan Sri Mohd Nadzmi Bin Mohd Salleh, Tang Sim Cheow and Pan Swee Keat to be retained as Independent Non-Executive Directors on the ground that they are able to bring independent and objective judgments to the board deliberations and their position in the Board have not been compromised by their familiarity and long relationships with other board members. Their continuation as Independent Non-Executive Directors shall be subject to shareholders' approval in the forthcoming Annual General Meeting.

D. PRINCIPLE 4: FOSTER COMMITMENT

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. Quarterly meetings are scheduled in advance annually for the Directors to plan ahead of their schedules. During the financial year, four (4) Board meetings were held.

The attendance record of each Director is as follows:

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

D. PRINCIPLE 4: FOSTER COMMITMENT (CONT'D)

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

The Directors are mindful that they should continue to attend relevant seminars and briefings to stay abreast with current developments of the ever-changing business environment, regulatory and corporate governance developments to enhance their professionalism and knowledge to effectively discharge their duties and obligations.

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

Name of Director	Topic of seminar/briefing
Datuk Beh Kim Ling	Malaysian Code on Corporate Governance
Datuk Gan Sem Yam	Malaysian Code on Corporate Governance
Datin Gan Chu Cheng	Malaysian Code on Corporate Governance
Dato' Gan Tiong Sia	Malaysian Code on Corporate Governance
Ng Yong Kang	Malaysian Code on Corporate Governance
Tan Sri Mohd Nadzmi bin Mohd Salleh	Corporate Reporting : Best Practices - Unravelling Annual Reports and Uncovering the Gems
Tang Sim Cheow	National Tax Conference 2017 Malaysian Code on Corporate Governance
Pan Swee Keat	Market Analysis for Accountants Malaysian Code on Corporate Governance
Chong Chin Siong	Malaysian Code on Corporate Governance

E. PRINCIPLE 5: UPHOLD INTEGRITY AND FINANCIAL REPORTING

The Board aims to present a balanced and understandable assessment of the Group's financial performance and prospects to the shareholders, investors and regulatory authorities through the quarterly announcements of results as well as the Chairman's statement and the Management Discussion and Analysis in the Annual Report. The Audit Committee assists the Board in overseeing the Group's financial reporting processes and the quality of its financial reporting.

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

The Company, through its Audit Committee, has always maintained a transparent professional relationship with its external auditors. In the course of audit of the Group's financial statements, the external auditors would highlight to the Audit Committee and the Board, matters that require the Board's attention. Audit Committee meetings are attended by the external auditors for purposes of presenting their audit plan and report and for presenting their comments on the audited financial statements.

On annual basis, prior to the commencement of the audit engagement, through the Audit Plan, the external auditors confirm to the Audit Committee on their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirement. In assessing the suitability and independence of the external auditors, the Audit Committee considers the adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence of external auditors and the level of non-audit services to be rendered by external auditors to the Company. The Audit Committee is satisfied with the external auditors' technical competency and audit independence.

F. PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

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

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

The Statement on Risk Management and Internal Control furnished on page 50 of the Annual Report provides an overview of the state of internal controls within the Group.

G. PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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

The Board acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public at large. The Company holds separate quarterly briefings for fund managers, institutional investors and investment analysts upon the announcement of the quarterly financial results.

The Group maintains a corporate website at www.vs-i.com which provides information relating to annual reports, quarterly financial results, announcement to Bursa Malaysia, press releases etc. In line with the Code, the Board Charter, Company's Constitution and other relevant and related documents or reports relating to Corporate Governance are made available on the foresaid website.

H. PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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 Securities, Company website and meeting with analysts and fund managers.

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

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

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

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

I. OTHER INFORMATION

(i) Material Contracts

Other than the related party transactions entered into in the ordinary course of business as disclosed in Note 30 to the financial statements, there are no other material contracts entered into by the Group involving Directors' or major shareholders' interest, either subsisting at the end of the financial year ended 31 July 2017 or entered into since the end of the previous financial year.

(ii) Non-Audit Fees

The amount of audit fees and non-audit fees incurred for the financial year ended 31 July 2017 for services rendered by the Company's external auditors are as follows:-

Fee incurred	Audit Fees (RM'000)	Non-Audit Fees (RM'000)
Company	173	181
Group	299	181

The non-audit services rendered included advisory services in relation to Sustainability Reporting and review of the Statement on Risk Management and Internal Control.

(iii) Employees' Share Option Scheme

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

	Number of options over ordinary shares ('000)		
	Directors	Employees	Total
Total options granted	27,000	140,179	167,179
Total options exercised/lapsed	(11,480)	(55,892)	(67,372)
Total options outstanding	15,520	84,287	99,807

Pursuant to the Company's ESOS By-laws, the aggregate maximum allocation to the Directors and senior management shall not exceed 50% of the options available under the scheme. Since the commencement of the scheme, 32.36% of the options granted under the scheme have been granted to Directors and senior management.

No options were granted to the Non-Executive Directors during the year. Options exercised by the Non-Executive Directors during the financial year are as follows:-

Name of Director	Number of options granted since commencement	Number of options exercised
Tan Sri Mohd Nadzmi bin Mohd Salleh	500,000	-
Tang Sim Cheow	500,000	-
Pan Swee Keat	500,000	100,000

I. OTHER INFORMATION (CONT'D)

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

At the Annual General Meeting held on 5 January 2017, the Company obtained shareholders' mandate allowing the Group to enter into recurrent related party transactions of a revenue or trading nature as disclosed in the Circular to Shareholders dated 29 November 2016.

In accordance with Section 3.1.5 of Practice Note No. 12 of the MMLR, the details of recurrent related party transactions conducted during the financial year ended 31 July 2017 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 Group and VSIG Group	Datuk Beh Kim Ling Datin Gan Chu Cheng Datuk Gan Sem Yam Dato' Gan Tiong Sia	Purchases of tooling, bins, resins, plastic component parts and equipments	1,207
VSI Group and VSME/Serumi	Datuk Gan Sem Yam Dato' Gan Tiong Sia	Sales of plastic or electronic component, parts and products	913
VSI Group and Lip Sheng International Ltd/ Lip Sheng Precision (Zhuhai) Co., Ltd	Datin Gan Chu Cheng Datuk Gan Sem Yam Dato' Gan Tiong Sia Datuk Beh Kim Ling	Purchases of tooling, sales related to tooling fabrication and sales commission income	1,665
VSI Group and Beeantah Pte. Ltd.	Datuk Gan Sem Yam	Purchases of small metal parts, resins, etc	31,408

Abbreviations
"VSI" : V.S. Industry Berhad
"VSI Group" : VSI and its subsidiaries
"VSIG Group" : V.S. International Group Limited, its subsidiaries and associates
"VSME/Serumi" : VS Marketing & Engineering Pte. Ltd. and/or its subsidiary, Serumi International Private Limited

AUDIT COMMITTEE REPORT

MEMBERSHIP

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

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

MEETINGS

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

The Executive Directors, the representatives of the Internal Audit, the representatives of the external auditors, Messrs KPMG PLT, members of the management and employees of the Group were present as and when invited. The Audit Committee members have met with the external auditors twice without the presence of management during the financial year to discuss any areas of concern which the external auditors may wish to bring to notice of the members and for the members to discuss or seek clarification on accounting or other matters.

Details of attendance are listed below:

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

TERMS OF REFERENCE

The details of the terms of reference of the Audit Committee are available for reference at www.vs-i.com.

SUMMARY OF ACTIVITIES

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

1. **Financial reporting**

- Reviewed the quarterly financial results and announcement as well as annual financial statements of the Group prior to recommending the same for the Board's approval;

- In the review of the quarterly financial results and annual audited financial statements, the Audit Committee discussed with the Management and the external auditors, amongst others, the accounting policies and standards that were applied and their judgment of the items that may affect the financial results and the financial statements;

- Confirmed with the Management and the external auditors that the annual financial statements of the Group have been prepared in compliance with applicable Malaysian Financial Reporting Standards. New financial reporting standards and amendments that are effective for the financial year were discussed and it was noted that the adoption of these new standards and amendments did not have any significant impact on the current or prior year and are not likely to materially affect future periods.

SUMMARY OF ACTIVITIES (CONT'D)

2. Internal Audit

- Reviewed and approved the annual audit plan proposed by the internal auditors to ensure the adequacy of the scope and coverage of work in relation to the risk management framework, key business risk exposure and risk appetite of the Group;

- Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of the overall Internal Audit function;

- Reviewed the internal audit reports on their findings, recommendations and Management's response to these recommendations. Where appropriate, the Audit Committee has directed that control procedures be rectified and improved based on the internal auditors' recommendations and suggestions for improvement.

3. External Audit

- Reviewed the external auditors' audit plan, audit strategy and scope of work for the financial year before their commencement of the audit of the financial statements of the Group;

- Reviewed the results of annual audit, audit report and management letter together with Management's response to their findings. Major issues that arose during the course of the audit were discussed with management and resolved, wherever possible, or held for further monitoring and resolution in future;

- Assessed the independence and objectivity of the external auditors and the services provided, including non-audit services. An annual assessment to assess the performance, suitability and independence of external auditors based on, amongst others, the quality of service, sufficiency of resources, communication and interaction as well as independence, objectivity and professional skepticism. Assurance was also obtained from the external auditors regarding their independence;

  Following the review of the external auditors' effectiveness and independence, the Audit Committee is satisfied with the performance and the audit independence of the external auditors. Accordingly, it was recommended to the Board on the reappointment of the external auditors as well as the proposed audit fee for approval.

4. Related Party Transactions

Reviewed the recurrent related party transactions of a revenue or trading nature which were necessary for the day-to-day operations entered into by the Group to ensure that the transactions were in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public.

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.

Internal audit reports incorporating the findings, recommendations and management's response with regard to any audit findings on the weaknesses in the systems and controls of the operations were tabled at the Audit Committee meetings on a quarterly basis. The Internal Audit Department also followed up with management on the implementation of the agreed audit recommendations.

The total costs incurred in connection with the internal audit function during the financial year amounted to RM1.03 million.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors is committed to maintain a sound risk management framework and internal control system in the Group and is pleased to present herewith the Statement of Risk Management and Internal Control which outlines the nature and state of the risk management and internal control of the Group during the financial year.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility in establishing and maintaining a sound risk management framework and internal control system within the Group to safeguard the Group's assets and to enhance shareholders' value. They are responsible for reviewing the risk management framework, processes and to provide reasonable assurance that risks are managed within tolerable ranges and embed risk management in all aspects of business activities and ensure implementation of appropriate control measures to manage the risks.

In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate the risks of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable, rather than absolute assurance against material misstatement of management and financial information, financial losses, fraud and breaches of laws or regulations.

The Audit Committee ("AC") reviews the adequacy and effectiveness of internal controls through the internal audits conducted by Internal Audit Department ("IA"). Audit findings and countermeasures undertaken by the Management addressing the findings were tabled by IA during the quarterly AC meetings and thereafter to the Board for review.

A Risk Management Committee ("RMC") was established to assist the Board in fulfilling its corporate governance oversight responsibilities with regard to the identification, evaluation and mitigation of strategic and operational risks. The RMC has an overall responsibility for monitoring and approving the risk management framework and related processes implemented by the Group, evaluating the potential impact and likelihood of the risks identified and mitigating controls. RMC meeting is held on an annual basis.

KEY INTERNAL CONTROL PROCESSES

The Group's internal control system comprises the following key processes:

1. **Policies and Procedures**

   Internal policies and standard operating procedures are appropriately communicated and clearly documented in manuals which are reviewed and revised when necessary to meet changing business, operational and statutory reporting needs.

2. **Internal Audits**

   The IA performs internal audits on various operating units within the Group on a risk – based approach based on the annual audit plan approved by the Audit Committee.

   IA monitors compliance with the Group's policies and procedures and applicable laws and regulations, provides independent and objective assurance on the adequacy and effectiveness of risk management and internal control system by conducting regular audits and continuous assessments.

   Significant audit findings and recommendations for improvement are tabled in the quarterly AC meetings. IA will also conduct follow up reviews on the implementation of corrective action plans on the audit findings and recommendations.

KEY INTERNAL CONTROL PROCESSES (CONT'D)

3. Risk Management

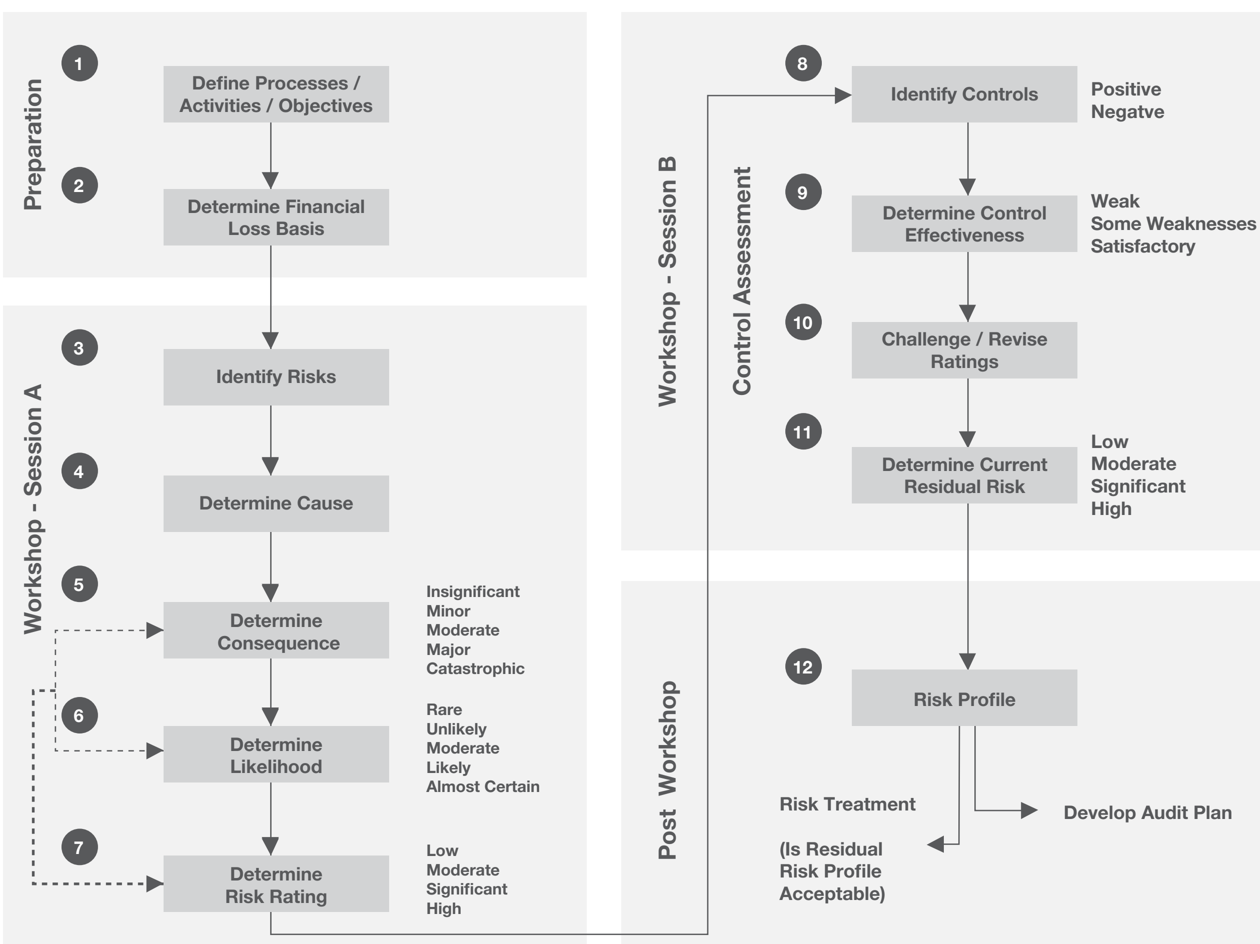
A formal risk management framework has been established with the aim of setting clear guidelines in relation to the level of risks acceptable to the Group. The framework is also designed to ensure proper management of the risks that may impede the achievement of the Group's goals and objectives.

The Group has in place an on – going process for identifying, evaluating and managing the principal risks that affect the attainment of the Group's business objectives and goals for the year under review and up to date of approval of this statement for inclusion in the Annual Report.

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

The Group has implemented the Enterprise Risk Management ("ERM") framework to identify, evaluate, monitor and manage all key risks faced by the Group in which RMC provides directions and has an oversight role in the risk management process.

The Enterprise Risk Assessment Procedures are illustrated in the following diagram:



KEY INTERNAL CONTROL PROCESSES (CONT'D)

3. Risk Management (Cont'd)

The managing of the implementation of all aspects of the risk function, including the implementation of ERM processes that identify, assess, measure, manage, monitor and report risks are coordinated by the IA in conjunction with the Risk Management Unit ("RMU").

RMU is established at each supporting function or business units within the Group which the members are nominated employees from each function or business units and is headed by the Senior Management or Head of Business Unit i.e. Senior Management and Divisional Heads.

The day to day risk management resides with the respective support function or business units, hence RMUs are accountable for all risks assumed under their respective areas of responsibility.

RMUs are also responsible in monitoring major and critical risk issues. Likelihood and impact of material exposures are assessed and its corresponding risk mitigation and treatment measures are determined.

The level of risk tolerance of the Group is expressed through the use of a risk impact and likelihood matrix with an established risk parameters including a set of financial and non-financial risk parameters, which represent the risk appetite and risk capacity of the Group.

In essence, risks are dealt and contained at the respective business unit level, and are communicated upwards to RMC through IA Department in conjunction with each of the business unit's RMU.

4. Board Meetings

The Board and the Audit Committee meet every quarter to discuss matters raised by Management and IA on business and operational matters including potential risks and control issues. The Managing Director also reports to the Board on significant changes in business and external environment.

Quarterly financial reports which includes key financial information of major subsidiaries are submitted to the Board by the Financial Controller.

5. Staff Competency

Recruitment and termination guidelines are in place while training and development programs are conducted to ensure that staff are kept up to date with the necessary competencies to carry out their respective duties towards achieving the Group's objectives.

6. Conduct of Staff

a. A Code of Ethics for all employees which defines the ethical standards and conduct at work is communicated to all employees upon their employment.

b. A whistleblowing policy is established to provide appropriate communication and feedback channels which facilitate whistleblowing in a transparent and confidential manner to enable employees and stakeholders to raise genuine concerns about possible improprieties, improper conduct or other malpractices within the Group in an appropriate way.

7. Insurance

Sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss.

The Group has regularly review the insurance coverage where it is available on economically acceptable terms to minimise the related financial impacts.

ASSURANCE FROM MANAGEMENT

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and up to date of approval of this statement for inclusion in the Annual Report, and is of the view that the risk management and internal control system is satisfactory and there were no material losses incurred during the year under review as a result of internal control weaknesses or non-compliance incidents.

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

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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 2017.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	156,319	76,864
Non-controlling interests	1,498	--
	157,817	76,864

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 statement of changes in equity of the Group and Company.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

i) In respect of the financial year ended 31 July 2016 as reported in the Directors' Report of that year:

- a fourth interim ordinary dividend of 0.8 sen per ordinary share totalling RM9,366,357 declared on 28 September 2016 and paid on 28 October 2016; and

- a final ordinary dividend of 0.8 sen per ordinary share totalling RM9,404,790 declared on 29 November 2016 and paid on 25 January 2017.

DIVIDENDS (CONT'D)

ii) In respect of the financial year ended 31 July 2017:

- a first interim ordinary dividend of 1.2 sen per ordinary share totalling RM14,174,984 declared on 23 December 2016 and paid on 15 March 2017;
- a second interim ordinary dividend of 1.2 sen per ordinary share totalling RM14,240,960 declared on 28 March 2017 and paid on 12 May 2017;
- a third interim ordinary dividend of 1.5 sen per ordinary share totalling RM17,966,288 declared on 13 June 2017 and paid on 28 July 2017; and
- a fourth interim ordinary dividend of 1.0 sen per ordinary share totalling RM12,263,284 declared on 27 September 2017 and paid on 27 October 2017.

The Directors recommended a final dividend of 1.0 sen per ordinary share totalling RM12,445,597 in respect of the year ended 31 July 2017 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

These financial statements do not reflect the fourth interim ordinary dividend and the proposed final dividend, which will be accounted for in the statement of changes in equity as an appropriation of retained earnings in the year ending 31 July 2018.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

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

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

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 2016**	**Bought/ ESOS Exercised**	**Sold**	**At 31 July 2017**
Company					
Ordinary shares					
Datuk Beh Kim Ling	Direct	114,331	850	(10,220)	104,961
	Deemed	125,128	22,390	(700)	146,818
Datin Gan Chu Cheng	Direct	77,851	19,920	(700)	97,071
	Deemed	161,608	3,320	(10,220)	154,708
Datuk Gan Sem Yam	Direct	68,643	3,200	--	71,843
	Deemed	12,166	400	(1,500)	11,066
Dato' Gan Tiong Sia	Direct	21,699	1,700	--	23,399
Mr. Ng Yong Kang	Direct	950	350	(350)	950
	Deemed	50	--	(50)	--
Tan Sri Mohd Nadzmi bin Mohd Salleh	Direct	850	--	--	850
Mr. Pan Swee Keat	Direct	50	100	--	150
Mr. Chong Chin Siong	Direct	630	200	(530)	300
	Deemed	225	10	--	235

		Number of Warrants ('000)			
Name of Directors	**Interest**	**At 1 August 2016**	**Bought**	**Sold**	**At 31 July 2017**
Datuk Beh Kim Ling	Direct	28,583	--	(28,583)	--
	Deemed	31,105	350	(31,105)	350
Datin Gan Chu Cheng	Direct	19,463	--	(19,463)	--
	Deemed	40,224	350	(40,224)	350
Datuk Gan Sem Yam	Direct	17,161	--	(17,161)	--
	Deemed	3,017	--	(3,017)	--
Dato' Gan Tiong Sia	Direct	5,425	--	(5,425)	--
Mr. Ng Yong Kang	Direct	163	--	(163)	--
Tan Sri Mohd Nadzmi bin Mohd Salleh	Direct	213	--	--	213
Mr. Pan Swee Keat	Direct	13	--	--	13
Mr. Chong Chin Siong	Direct	100	1,500	(100)	1,500
	Deemed	49	--	(49)	--

DIRECTORS' INTERESTS IN SHARES (CONT'D)

		Number of ordinary shares ('000)			
Name of Directors	**Interest**	**At 1 August 2016**	**Bought**	**Sold**	**At 31 July 2017**
Subsidiaries					
- V.S. Ashin Technology Sdn. Bhd. Ordinary shares					
Datuk Beh Kim Ling	Deemed	5,880	--	--	5,880
Datin Gan Chu Cheng	Direct	672	--	--	672
	Deemed	5,208	--	--	5,208
Datuk Gan Sem Yam	Direct	747	--	--	747
- VS Marketing & Engineering Pte. Ltd. Ordinary shares					
Datuk Beh Kim Ling	Deemed	1,224	--	--	1,224
Datin Gan Chu Cheng	Deemed	1,224	--	--	1,224
Datuk Gan Sem Yam	Deemed	816	--	--	816
Dato' Gan Tiong Sia	Deemed	120	--	--	120
- Serumi International Private Limited Ordinary shares					
Datuk Beh Kim Ling	Deemed	1,933	--	--	1,933
Datin Gan Chu Cheng	Deemed	1,933	--	--	1,933
Datuk Gan Sem Yam	Deemed	1,933	--	--	1,933
- V.S. International Group Limited Ordinary shares of HKD0.05 each					
Datuk Beh Kim Ling	Direct	70,362	48,400	--	118,762
	Deemed	846,357	25,116	--	871,473
Datin Gan Chu Cheng	Direct	24,269	--	--	24,269
	Deemed	892,450	73,516	--	965,966
Datuk Gan Sem Yam	Direct	35,737	--	--	35,737
	Deemed	--	31,571	--	31,571
Dato' Gan Tiong Sia	Direct	17,215	--	--	17,215
	Deemed	--	16,300	--	16,300
Mr. Tang Sim Cheow	Direct	639	--	--	639

DIRECTORS' INTERESTS IN SHARES (CONT'D)

		Number of shares ('000)			
Name of Directors	**Interest**	**At 1 August 2016**	**Bought**	**Sold**	**At 31 July 2017**
Subsidiaries					
- V.S. Corporation (Hong Kong) Co., Limited Non-voting deferred share of HKD1.00 each					
Datuk Beh Kim Ling	Direct	3,750	--	--	3,750
	Deemed	3,750	--	--	3,750
Datin Gan Chu Cheng	Direct	3,750	--	--	3,750
	Deemed	3,750	--	--	3,750
Datuk Gan Sem Yam	Direct	3,750	--	--	3,750
Dato' Gan Tiong Sia	Direct	3,750	--	--	3,750

		Number of ordinary shares			
Name of Directors	**Interest**	**At 1 August 2016**	**Bought**	**Sold**	**At 31 July 2017**
- V.S. Investment Holdings Limited Ordinary shares of HKD1.00 each					
Datuk Beh Kim Ling	Direct	5	--	--	5
	Deemed	5	--	--	5
Datin Gan Chu Cheng	Direct	5	--	--	5
	Deemed	5	--	--	5
Datuk Gan Sem Yam	Direct	5	--	--	5

		Number of options ('000) over ordinary shares of HKD0.05 each			
Name of Directors	**Option price**	**At 1 August 2016**	**Granted**	**Lapsed**	**At 31 July 2017**
Subsidiaries					
- V.S. International Group Limited					
Datuk Beh Kim Ling	HKD0.308	9,600	--	(9,600)	--
	HKD0.320	--	15,000	--	15,000
Datin Gan Chu Cheng	HKD0.308	6,400	--	(6,400)	--
	HKD0.320	--	15,000	--	15,000
Datuk Gan Sem Yam	HKD0.308	9,600	--	(9,600)	--
	HKD0.320	--	15,000	--	15,000
Dato' Gan Tiong Sia	HKD0.308	2,500	--	(2,500)	--
	HKD0.320	--	7,520	--	7,520
Mr. Tang Sim Cheow	HKD0.308	1,200	--	(1,200)	--
	HKD0.320	--	1,512	--	1,512

DIRECTORS' INTERESTS IN SHARES (CONT'D)

Name of Directors	Option price	Number of options ('000) over ordinary shares At 1 August 2016	Exercised	At 31 July 2017
Company				
Datuk Beh Kim Ling	RM0.70	3,400	(850)	2,550
Datin Gan Chu Cheng	RM0.70	3,400	(1,700)	1,700
Datuk Gan Sem Yam	RM0.70	3,400	(1,700)	1,700
Dato' Gan Tiong Sia	RM0.70	3,400	(1,700)	1,700
Mr. Ng Yong Kang	RM0.70	3,400	(350)	3,050
Tan Sri Mohd Nadzmi bin Mohd Salleh	RM0.70	400	--	400
Mr. Tang Sim Cheow	RM0.70	400	--	400
Mr. Pan Swee Keat	RM0.70	450	(100)	350
Mr. Chong Chin Siong	RM0.70	3,870	(200)	3,670

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) 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 other than as disclosed in Note 30 to the financial statements.

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

ISSUE OF SHARES

During the financial year, the Company issued:

a) 11,951,000 new ordinary shares for cash totalling RM8,365,700 arising from the exercise of the employees' share options at an exercise price of RM0.70 per ordinary share;

b) 42,000 new ordinary shares for cash totalling RM59,640 arising from the exercise of the employees' share options at an exercise price of RM1.42 per ordinary share;

c) 16,000,000 new ordinary shares totalling RM11,200,000 at the exercise price of RM0.70 per ordinary share under the shares held-in-trust as disclosed in Note 14 to the financial statements; and

d) 250 new ordinary shares for cash arising from the exercise of warrants.

At the Annual General Meeting held on 5 January 2017, the shareholders of the Company renewed their approval for the Company to repurchase its own shares. During the financial year, the Company did not repurchase any ordinary shares.

ISSUE OF SHARES (CONT'D)

There were no other changes in the issued and paid-up capital of the Company during the financial year, except for the transfer of share premium pursuant to Section 618(2) of the Companies Act 2016 amounting to RM113,873,000 to become part of the Company's share capital.

ISSUE OF WARRANTS

The Company issued 290,742,787 free Warrants on the basis of one (1) Warrant for every four (4) existing shares held, which were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 13 January 2016.

The Warrants are constituted by the deed poll dated 15 December 2015.

The main features of the Warrants are as follows:

a) Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share in the Company at the exercise price of RM1.65 during the exercise period, subject to the adjustments in accordance with the Deed Poll constituting the Warrants;

b) The Warrants may be exercised at any time on or after 13 January 2016 until the end of the tenure of the Warrants. The tenure of the Warrants is for a period of three (3) years from 7 January 2016;

c) The new shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respects with the then existing share of the Company except that they will not be entitled to any dividends, rights, allotments and/or distributions declared, made or paid by the Company prior to be the relevant date of allotment and issue of the new shares to be issued pursuant to the exercise of the Warrants;

d) For purpose of trading on Bursa Securities, a board lot for the Warrants shall comprise one hundred (100) Warrants carrying right to subscribe for 100 new shares at any time during the exercise period or such denomination as determined by Bursa Securities; and

e) The Deed Poll and accordingly the Warrants are governed by and shall be construed in accordance with the laws of Malaysia.

250 (2016: NIL) Warrants were exercised during the financial year. As at year end, 290,742,537 (2016: 290,742,787) Warrants remained unexercised.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the ESOS.

At an Extraordinary General Meeting held on 8 May 2015, the Company's shareholders approved the establishment of an 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.

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

The salient features of the ESOS are as follows:

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

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

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

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

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

d) The subscription price for each ordinary share shall be the weighted average market price of the shares of the Company as shown in the Daily Official List issued by Bursa 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 12 May 2015, 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 and the exercise price is as follows:

		Number of options ('000)				
Date of offer	**Exercise price**	**At 1 August 2016**	**Granted**	**Exercised**	**Forfeited**	**At 31 July 2017**
12 May 2015	RM0.70	120,301	--	(30,862)	(1,149)	88,290
28 February 2017	RM1.42	--	13,179	(1,115)	(547)	11,517
		120,301	13,179	(31,977)	(1,696)	99,807

The date of expiry of the option is 11 May 2020.

INDEMNITY AND INSURANCE COSTS

There were no indemnity given to or insurance effected for any Director, officer or auditor of the Group and of the Company during the financial year.

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

The auditors' report on the audited financial statements of Company's subsidiaries did not contain any qualification or any adverse comments.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 July 2017 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.

SIGNIFICANT EVENT

On 2 November 2016, the Company paid the second tranche of 139,695 subscription shares in NEP Holdings (Malaysia) Berhad ("NEP") for RM30 million. On completion of the second tranche subscription, the Company holds 20% equity interest in NEP and hence NEP has became an associate of the Company during the financial year.

SUBSEQUENT EVENT

On 11 September 2017, one of its subsidiaries, V. S. International Group Limited issued 459,945,072 Rights Share on a basis of one Rights Share for every four existing shares held at a subscription price of HKD0.23 per Rights Share, raising a total cash proceed of approximately RM56.7 million.

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 20 to the financial statements.

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

Datuk Gan Sem Yam
Director

Dato' Gan Tiong Sia
Director

Johor Bahru

9 November 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 JULY 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Property, plant and equipment	3	841,043	680,719	129,917	89,094
Prepaid lease payments	4	98,359	97,118	--	--
Investment properties	5	4,900	4,800	--	--
Intangible assets	6	--	2,718	--	--
Investments in subsidiaries	7	--	--	310,929	284,113
Investments in associates	8	76,885	9,628	60,000	--
Other investments	9	40,268	63,013	4,727	34,293
Prepayments	10	7,263	5,983	--	--
Deferred tax assets	11	3,883	9,987	--	--
Total non-current assets		1,072,601	873,966	505,573	407,500
Inventories	12	479,814	306,603	88,463	21,943
Trade and other receivables	10	996,017	583,436	197,611	49,943
Tax recoverable		1,302	2,037	1,175	906
Dividends receivable		--	--	40,000	--
Cash and cash equivalents	13	344,919	218,401	23,508	8,336
Total current assets		1,822,052	1,110,477	350,757	81,128
Total assets		2,894,653	1,984,443	856,330	488,628
Equity					
Share capital	14	369,109	235,169	369,109	235,169
Reserves	14	688,437	644,734	79,870	166,261
Equity attributable to owners of the Company		1,057,546	879,903	448,979	401,430
Non-controlling interests	7	220,410	185,980	--	--
Total equity		1,277,956	1,065,883	448,979	401,430
Liabilities					
Long term payables	15	4,322	4,322	--	--
Loans and borrowings	16	119,049	92,473	55,404	4,806
Deferred tax liabilities	11	72,945	47,500	9,018	7,324
Total non-current liabilities		196,316	144,295	64,422	12,130
Trade and other payables	17	818,842	440,558	203,819	45,386
Loans and borrowings	16	587,832	322,570	139,110	29,682
Taxation		13,707	11,137	--	--
Total current liabilities		1,420,381	774,265	342,929	75,068
Total liabilities		1,616,697	918,560	407,351	87,198
Total equity and liabilities		2,894,653	1,984,443	856,330	488,628

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue					
Goods sold		3,281,350	2,175,626	526,286	198,819
Cost of goods sold		(2,822,924)	(1,839,095)	(497,889)	(178,502)
Gross profit		458,426	336,531	28,397	20,317
Other income		20,259	25,919	114,653	72,874
Distribution expenses		(63,480)	(48,990)	(9,530)	(7,113)
Administrative expenses		(142,117)	(121,891)	(32,712)	(26,338)
Other expenses		(29,092)	(37,231)	(18,495)	(649)
Results from operating activities		243,996	154,338	82,313	59,091
Finance income		3,514	1,478	93	622
Finance costs	18	(23,602)	(15,570)	(5,067)	(1,359)
Net finance costs		(20,088)	(14,092)	(4,974)	(737)
Operating profit		223,908	140,246	77,339	58,354
Share of (loss)/profit of equity accounted associates, net of tax		(235)	1,620	--	--
Profit before tax		223,673	141,866	77,339	58,354
Tax (expense)/income	19	(65,856)	(37,628)	(475)	1,295
Profit for the year	20	157,817	104,238	76,864	59,649
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Surplus on revaluation of properties, net of deferred tax		40,742	--	6,244	--
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		35,988	19,191	--	--
Remeasurement of actuarial gain/(loss)		174	(472)	--	--
		36,162	18,719	--	--
Other comprehensive income for the year		76,904	18,719	6,244	--
Total comprehensive income for the year		234,721	122,957	83,108	59,649
Profit attributable to:					
Owners of the Company		156,319	117,928	76,864	59,649
Non-controlling interests		1,498	(13,690)	--	--
Profit for the year		157,817	104,238	76,864	59,649
Total comprehensive income attributable to:					
Owners of the Company		210,813	140,787	83,108	59,649
Non-controlling interests		23,908	(17,830)	--	--
Total comprehensive income for the year		234,721	122,957	83,108	59,649
Basic earnings per ordinary share (sen)	21	13.23	10.15		
Diluted earnings per ordinary share (sen)	21	12.65	9.68		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2017

		Attributable to owners of the Company											
		Non-distributable								Distributable			
	Note	Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share -based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group													
At 1 August 2015		230,848	93,982	(4,972)	56,763	27,140	10,151	7,193	(1,582)	357,511	777,034	202,591	979,625
Foreign currency translation differences for foreign operation		--	--	--	--	23,331	--	--	--	--	23,331	(4,140)	19,191
Remeasurement of actuarial loss		--	--	--	--	--	--	--	--	(472)	(472)	--	(472)
Total other comprehensive income/(expense) for the year		--	--	--	--	23,331	--	--	--	(472)	22,859	(4,140)	18,719
Profit/(Loss) for the year		--	--	--	--	--	--	--	--	117,928	117,928	(13,690)	104,238
Total comprehensive income for the year		--	--	--	--	23,331	--	--	--	117,456	140,787	(17,830)	122,957
Contributions by and distributions to owners of the Company													
Shares buy back		--	--	--	--	--	--	--	(210)	--	(210)	--	(210)
Equity settled share based transaction	14												
- Share option granted		--	--	--	--	--	--	9,254	--	--	9,254	174	9,428
- Share option exercised		--	3,755	--	--	--	--	(3,755)	--	--	--	--	--
- Shares issued pursuant to ESOS		1,850	4,628	8,648	--	--	--	--	--	--	15,126	--	15,126
- Shares issued pursuant to ESOS Trust Funding ("ETF")		2,471	6,177	(8,072)	--	--	--	--	--	--	576	--	576
Dividends to owners of the Company	22	--	--	--	--	--	--	--	--	(63,937)	(63,937)	--	(63,937)
		4,321	14,560	576	--	--	--	5,499	(210)	(63,937)	(39,191)	174	(39,017)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2017
(cont'd)

	Attributable to owners of the Company											
	Non-distributable								Distributable			
	Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share -based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Change in ownership interests in subsidiaries	--	--	--	--	--	--	--	--	1,273	1,273	(1,273)	--
Increase in share capital in subsidiaries	--	--	--	--	--	--	--	--	--	--	2,318	2,318
	--	--	--	--	--	--	--	--	1,273	1,273	1,045	2,318
Total transactions with owners of the Group	4,321	14,560	576	--	--	--	5,499	(210)	(62,664)	(37,918)	1,219	(36,699)
Transferred from retained earnings	--	--	--	--	--	2,122	--	--	(2,122)	--	--	--
Realisation of revaluation reserve	--	--	--	(1,343)	--	--	--	--	1,343	--	--	--
At 31 July 2016	235,169	108,542	(4,396)	55,420	50,471	12,273	12,692	(1,792)	411,524	879,903	185,980	1,065,883

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

		Attributable to owners of the Company											
		Non-distributable							Distributable				
	Note	Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share -based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group													
At 1 August 2016		235,169	108,542	(4,396)	55,420	50,471	12,273	12,692	(1,792)	411,524	879,903	185,980	1,065,883
Foreign currency translation differences for foreign operation		--	--	--	--	28,687	--	--	--	--	28,687	7,301	35,988
Remeasurement of actuarial gain		--	--	--	--	--	--	--	--	174	174	--	174
Surplus on revaluation of properties net of deferred tax		--	--	--	25,633	--	--	--	--	--	25,633	15,109	40,742
Total other comprehensive income for the year		--	--	--	25,633	28,687	--	--	--	174	54,494	22,410	76,904
Profit for the year		--	--	--	--	--	--	--	--	156,319	156,319	1,498	157,817
Total comprehensive income for the year		--	--	--	25,633	28,687	--	--	--	156,493	210,813	23,908	234,721
Contributions by and distributions to owners of the Company													
Equity settled share based transaction	14												
- Share option granted		--	--	--	--	--	--	9,568	--	--	9,568	1,351	10,919
- Share option exercised		5,772	--	--	--	--	--	(5,772)	--	--	--	--	--
- Share option lapsed		--	--	--	--	--	--	(1,746)	--	1,746	--	2,269	2,269
- Shares issued pursuant to ESOS		5,595	2,831	11,200	--	--	--	--	--	--	19,626	--	19,626
- Shares issued pursuant to ESOS Trust Funding ("ETF")		8,700	2,500	(8,411)	--	--	--	--	--	--	2,789	--	2,789
Dividends to owners of the Company	22	--	--	--	--	--	--	--	--	(65,153)	(65,153)	--	(65,153)
		20,067	5,331	2,789	--	--	--	2,050	--	(63,407)	(33,170)	3,620	(29,550)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2017
(cont'd)

		Attributable to owners of the Company											
		Non-distributable								Distributable			
	Note	Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share -based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Increase in share capital in subsidiaries		--	--	--	--	--	--	--	--	--	--	1,734	1,734
Acquisition of new subsidiaries		--	--	--	--	--	--	--	--	--	--	5,168	5,168
		--	--	--	--	--	--	--	--	--	--	6,902	6,902
Total transactions with owners of the Group		20,067	5,331	2,789	--	--	--	2,050	--	(63,407)	(33,170)	10,522	(22,648)
Transferred from retained earnings		--	--	--	--	--	1,455	--	--	(1,455)	--	--	--
Realisation of revaluation reserve		--	--	--	(1,384)	--	--	--	--	1,384	--	--	--
Transfer in accordance with Section 618(2) of the Companies Act 2016	14	113,873	(113,873)	--	--	--	--	--	--	--	--	--	--
At 31 July 2017		369,109	--	(1,607)	79,669	79,158	13,728	14,742	(1,792)	504,539	1,057,546	220,410	1,277,956

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

		Attributable to owners of the Company							
		Non-distributable						Distributable	
	Note	Share capital RM'000	Share premium RM'000	Shares held under trust 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 2015		230,848	93,982	(4,972)	23,339	5,535	(1,582)	33,966	381,116
Profit for the year/ **Total comprehensive income for the year**		--	--	--	--	--	--	59,649	59,649
Contributions by and distributions to owners of the Company									
Shares buy back		--	--	--	--	--	(210)	--	(210)
Equity settled share-based transaction	14								
- Share option granted		--	--	--	--	9,110	--	--	9,110
- Share option exercised		--	3,755	--	--	(3,755)	--	--	--
- Shares issued pursuant to ESOS		1,850	4,628	8,648	--	--	--	--	15,126
- Shares issued pursuant to ESOS Trust Funding ("ETF")		2,471	6,177	(8,072)	--	--	--	--	576
Dividends to owners of the Company	22	--	--	--	--	--	--	(63,937)	(63,937)
Total transactions with owners of the Company		4,321	14,560	576	--	5,355	(210)	(63,937)	(39,335)
Realisation of revaluation reserve		--	--	--	(492)	--	--	492	--
At 31 July 2016		235,169	108,542	(4,396)	22,847	10,890	(1,792)	30,170	401,430

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2017
(cont'd)

		Attributable to owners of the Company							
		Non-distributable						Distributable	
	Note	Share capital RM'000	Share premium RM'000	Shares held under trust 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 2016		235,169	108,542	(4,396)	22,847	10,890	(1,792)	30,170	401,430
Surplus on revaluation of properties, net of deferred tax/**Total other comprehensive income for the year**		--	--	--	6,244	--	--	--	6,244
Profit for the year		--	--	--	--	--	--	76,864	76,864
Total comprehensive income for the year		--	--	--	6,244	--	--	76,864	83,108
Contributions by and distributions to owners of the Company									
Equity settled share-based transaction	14								
- Share option granted		--	--	--	--	7,179	--	--	7,179
- Share option exercised		5,772	--	--	--	(5,772)	--	--	--
- Shares issued pursuant to ESOS		5,595	2,831	11,200	--	--	--	--	19,626
- Shares issued pursuant to ESOS Trust Funding ("ETF")		8,700	2,500	(8,411)	--	--	--	--	2,789
Dividends to owners of the Company	22	--	--	--	--	--	--	(65,153)	(65,153)
Total transactions with owners of the Company		20,067	5,331	2,789	--	1,407	--	(65,153)	(35,559)
Realisation of revaluation reserve		--	--	--	(547)	--	--	547	--
Transfer in accordance with Section 618(2) of the Companies Act 2016	14	113,873	(113,873)	--	--	--	--	--	--
At 31 July 2017		369,109	--	(1,607)	28,544	12,297	(1,792)	42,428	448,979

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities					
Profit before tax		223,673	141,866	77,339	58,354
Adjustments for:-					
Amortisation of prepaid lease payments		2,638	2,667	--	--
Depreciation	3	75,413	69,379	9,342	8,836
Equity settled share-based transactions		13,681	10,094	3,028	3,618
Finance costs	18	21,845	13,777	4,959	1,301
Investment in a subsidiary written off		--	--	155	--
Property, plant and equipment:					
- loss on disposal		1,413	266	3	47
- written off		27	92	--	1
Allowance for/(Reversal of) slow moving inventories		1,389	(7,503)	--	--
Changes in fair value of investment properties		(100)	(100)	--	--
Gain from a bargain purchase	31	(253)	--	--	--
Impairment loss/(Reversal) on:					
- trade receivables		(179)	(316)	--	--
- prepayments		--	21,767	--	--
- other investments		4,042	7,623	--	--
- investment in subsidiaries		--	--	16,800	--
- intangible assets		2,881	--	--	--
- intercompany balances		--	--	1,537	--
Finance income		(3,514)	(1,478)	(93)	(622)
Share of loss/(profit) in associates		235	(1,620)	--	--
Unrealised (gain)/loss on foreign exchange		(703)	3,579	(701)	601
Revaluation deficits on properties		12,009	--	--	--
Operating profit before changes in working capital		354,497	260,093	112,369	72,136
Changes in inventories		(170,975)	(26,345)	(66,520)	2,468
Changes in trade and other receivables		(397,101)	(82,824)	(189,030)	4,108
Changes in trade and other payables		330,224	23,451	158,347	3,531
Cash generated from operations		116,645	174,375	15,166	82,243
Interest received		3,514	1,478	93	622
Tax (paid)/refunded		(43,260)	(40,030)	(242)	855
Net cash from operating activities		76,899	135,823	15,017	83,720
Cash flows from investing activities					
Acquisition of:					
- property, plant and equipment	23	(148,511)	(68,914)	(31,754)	(5,825)
- subsidiaries, net of cash and cash equivalents acquired	31	(3,570)	--	--	--
- investment in subsidiaries		--	--	(39,620)	(62,793)
- investment in an associate		(37,146)	--	(30,000)	--
- other investments		(11,297)	(73,747)	(434)	(34,293)
- prepayments		(1,280)	17,339	--	--
Proceeds from disposal of property, plant and equipment		6,656	7,619	207	480
Change in pledged deposits		(37,395)	2,992	--	--
Net cash used in investing activities		(232,543)	(114,711)	(101,601)	(102,431)

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

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from financing activities					
Repayment of term loans		(39,250)	(33,664)	(10,766)	(3,939)
Drawdown of term loans		67,213	--	67,213	--
Payments of finance lease liabilities		(2,039)	(1,834)	(289)	(225)
Net drawdown from short term borrowings		241,476	25,084	93,295	2,505
Interest paid		(22,273)	(13,797)	(4,959)	(1,301)
Repurchase of treasury shares		--	(210)	--	(210)
Funds from non-controlling interests		1,734	2,318	--	--
Proceeds from issuance of shares		22,415	15,702	22,415	15,702
Dividend paid to owners of the Company		(65,153)	(63,937)	(65,153)	(63,937)
Net cash from/(used in) financing activities		204,123	(70,338)	101,756	(51,405)
Exchange differences on translation of the financial statements of foreign operations		28,687	23,331	--	--
Net increase/(decrease) in cash and cash equivalents		77,166	(25,895)	15,172	(70,116)
Cash and cash equivalents at 1 August		199,230	224,153	8,336	78,452
Effect of exchange rate fluctuation on cash held		9,258	972	--	--
Cash and cash equivalents at 31 July		285,654	199,230	23,508	8,336

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

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash and bank balances	299,060	205,954	23,317	8,151
Deposits with licensed banks	45,859	12,447	191	185
	344,919	218,401	23,508	8,336
Less: Pledged deposits	(45,346)	(7,951)	--	--
Bank overdraft	(13,919)	(11,220)	--	--
	285,654	199,230	23,508	8,336

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

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

Principal place of business

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

Registered office

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

The consolidated financial statements of the Company as at and for the financial year ended 31 July 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 31 July 2017 do not include other entities.

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

These financial statements were authorised for issue by the Board of Directors on 9 November 2017.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

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

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(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 MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in Note 3 – valuation of 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 structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

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

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(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. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

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

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

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of the 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 profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

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

(vii) Transactions eliminated on consolidation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 foreign currency translation reserve ("FCTR") in equity.

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

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

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

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

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

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

Financial liabilities

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

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

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

Other 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.

Fair value arising from financial guarantee contracts are classified as deferred income and is 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement (Cont'd)

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

Property, plant and equipment under the revaluation model

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

Leasehold land	60 - 81 years	(2016: 34 - 81 years)
Buildings	24 - 45 years	
Plant and machinery	10 years	
Furniture, fittings and renovation	3 - 5 years	
Motor vehicles	5 years	
Building improvements	5 years	

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

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

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

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

(f) Intangible assets

(i) Goodwill

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

(ii) Intangible assets

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

(iii) Amortisation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment properties

(i) Investment properties carried at fair value

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

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

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

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

(ii) Reclassification to/from investment property

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

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

(h) Inventories

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

(j) Work-in-progress

Work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Impairment

(i) Financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity 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 financial 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 classified as available for sale is not reversed through profit or loss.

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

(ii) Other assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to 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 of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(ii) Other assets (Cont'd)

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

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

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

(m) 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 the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Repurchase, disposal and reissue of share capital (treasury shares)

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

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

(iii) Shares held under trust

Shares issued by the Company under the Employees' Share Option Scheme ("ESOS") Trust Funding Mechanism ("ETF Mechanism") are recorded as shares held under trust in the statement of financial position. The subscription amounts of the shares are included in equity attributable to owners of the Company as shares held under trust and are reduced upon the exercise of options under the ETF Mechanism.

(n) 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)

(n) 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.

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

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

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

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

(o) 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 discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue and other income (Cont'd)

(ii) Interest income

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

(iii) Dividend income

Dividend income is recognised in profit or loss when the right to receive payment is established.

(iv) Rental income

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

(v) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the completion of a physical proportion of the contract work.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(p) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Share-based payment transactions

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

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

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the share options and share grants are exercised. On 31 January 2017 onwards, the proceeds received net of any directly attributable transaction costs are credited to share capital. When share options and share grants are not exercised and lapsed, the share-based payment reserves are transfer to retained earnings.

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.

(r) Provision

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Contingencies

Contingent liabilities

Where is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and 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.

(t) 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.

(u) 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(v) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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 2015	467,516	786,345	70,818	21,923	583	1,347,185
Additions	992	76,839	3,751	1,043	178	82,803
Disposals	--	(24,589)	(566)	(404)	--	(25,559)
Written off	--	(5,477)	(467)	--	--	(5,944)
Exchange differences	6,603	8,794	652	138	(9)	16,178
At 31 July 2016/1 August 2016	475,111	841,912	74,188	22,700	752	1,414,663
Additions	31,826	94,168	13,739	3,879	23,299	166,911
Disposals	--	(22,096)	(1,885)	(758)	--	(24,739)
Written off	--	(1,128)	(551)	--	--	(1,679)
Revaluation	(53,283)	--	--	--	--	(53,283)
Acquisition of subsidiaries	6,927	5,266	1,128	952	--	14,273
Exchange differences	17,133	30,567	2,549	670	103	51,022
At 31 July 2017	477,714	948,689	89,168	27,443	24,154	1,567,168
Representing items at:						
Cost	16,741	948,689	89,168	27,443	24,154	1,106,195
Directors' valuation - 2017	460,973	--	--	--	--	460,973
	477,714	948,689	89,168	27,443	24,154	1,567,168
Accumulated depreciation						
At 1 August 2015	71,997	545,318	49,520	15,029	--	681,864
Depreciation charge	12,110	49,470	5,375	2,424	--	69,379
Disposals	--	(16,894)	(411)	(369)	--	(17,674)
Written off	--	(5,388)	(464)	--	--	(5,852)
Exchange differences	(54)	4,865	338	34	--	5,183
At 31 July 2016/1 August 2016	84,053	577,371	54,358	17,118	--	732,900
Depreciation charge	12,983	54,385	5,770	2,275	--	75,413
Disposals	--	(14,419)	(1,534)	(717)	--	(16,670)
Written off	--	(1,106)	(546)	--	--	(1,652)
Revaluation	(94,203)	--	--	--	--	(94,203)
Acquisition of subsidiaries	142	2,185	273	556	--	3,156
Exchange differences	3,179	20,623	1,797	498	--	26,097
At 31 July 2017	6,154	639,039	60,118	19,730	--	725,041
Accumulated impairment losses						
At 1 August 2015	--	972	--	--	--	972
Exchange differences	--	72	--	--	--	72
At 31 July 2016/1 August 2016	--	1,044	--	--	--	1,044
Exchange differences	--	40	--	--	--	40
At 31 July 2017	--	1,084	--	--	--	1,084
Carrying amounts						
At 1 August 2015	395,519	240,055	21,298	6,894	583	664,349
At 31 July 2016/1 August 2016	391,058	263,497	19,830	5,582	752	680,719
At 31 July 2017	471,560	308,566	29,050	7,713	24,154	841,043

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 2015	69,201	74,607	10,592	6,417	--	160,817
Additions	59	1,947	523	--	--	2,529
Disposals	--	(1,560)	--	--	--	(1,560)
Written off	--	(1,161)	(93)	--	--	(1,254)
Net transfer from subsidiaries	--	4,531	1	--	--	4,532
At 31 July 2016/1 August 2016	69,260	78,364	11,023	6,417	--	165,064
Additions	2,569	27,573	4,371	1,905	6,577	42,995
Disposals	--	(1,061)	(4)	(113)	--	(1,178)
Written off	--	--	(380)	--	--	(380)
Net transfer from subsidiaries	--	63	4	--	--	67
Revaluation	2,041	--	--	--	--	2,041
At 31 July 2017	73,870	104,939	15,014	8,209	6,577	208,609
Representing items at:						
Cost	--	104,939	15,014	8,209	6,577	134,739
Directors' valuation - 2017	73,870	--	--	--	--	73,870
	73,870	104,939	15,014	8,209	6,577	208,609
Accumulated depreciation						
At 1 August 2015	2,566	50,844	8,273	3,705	--	65,388
Depreciation charge	1,287	5,689	944	916	--	8,836
Disposals	--	(1,033)	--	--	--	(1,033)
Written off	--	(1,159)	(94)	--	--	(1,253)
Net transfer from subsidiaries	--	4,035	(3)	--	--	4,032
At 31 July 2016/1 August 2016	3,853	58,376	9,120	4,621	--	75,970
Depreciation charge	1,542	5,825	1,139	836	--	9,342
Disposals	--	(852)	(3)	(113)	--	(968)
Written off	--	--	(380)	--	--	(380)
Net transfer from subsidiaries	--	119	4	--	--	123
Revaluation	(5,395)	--	--	--	--	(5,395)
At 31 July 2017	--	63,468	9,880	5,344	--	78,692
Carrying amounts						
At 1 August 2015	66,635	23,763	2,319	2,712	--	95,429
At 31 July 2016/1 August 2016	65,407	19,988	1,903	1,796	--	89,094
At 31 July 2017	73,870	41,471	5,134	2,865	6,577	129,917

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

3.1 Carrying amounts of land and buildings

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At valuation				
Freehold land	44,660	37,527	22,570	17,900
Leasehold land with unexpired lease period of more than 50 years	18,995	1,367	--	--
Leasehold land with unexpired lease period of less than 50 years	--	8,986	--	--
Buildings	397,318	134,928	51,300	47,453
At cost				
Freehold land	3,107	--	--	--
Buildings	7,480	208,250	--	54
	471,560	391,058	73,870	65,407

3.2 Fair value information

Land and buildings other than those acquired during the year and acquired through acquisition of subsidiaries, are stated at Directors' valuation based on independent professional valuations carried out as at 31 July 2017.

Fair value of land and buildings are categorised as follows:

	Level 3	
	Group RM'000	Company RM'000
Freehold land	44,660	22,570
Leasehold land with unexpired lease period of more than 50 years	18,995	--
Buildings	397,318	51,300
	460,973	73,870

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

3.2 Fair value information (Cont'd)

Level 3 fair value

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

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method:		
Sales price of comparable land in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.	• Price per square foot: RM25 to RM50.	• The estimated fair value would increase (decrease) if the price per square foot is higher (lower).
Building is determined based on depreciated replacement cost. Estimated cost of construction of the buildings is based on current market price.	• Price per square foot: RM52 to RM134.	

3.3 Leased plant and machinery and motor vehicles

At 31 July 2017, the net carrying amount of leased plant and equipment of the Group and of the Company was RM30,570,000 (2016: RM19,260,000) and RM11,435,000 (2016: RM1,043,000) respectively.

3.4 Security

The leased plant and equipment and motor vehicles secures lease obligations (see Note 16).

Certain property, plant and equipment of the subsidiaries with carrying amount of RM214,043,000 (2016: RM178,280,000) are pledged as security for banking facilities granted to the said subsidiaries (see Note 16).

3.5 Change in estimates

During the financial year, the Group and the Company obtained approval from the land authorities to extend the leasehold period of certain leasehold land up to 60 years. The effect of the change on depreciation expenses, recognised in cost of goods sold and administrative expenses, in current and future periods are not material to the financial statements.

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

3.6 Others

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Freehold land	21,574	21,574	11,717	11,717
Leasehold land with unexpired lease period of more than 50 years	8,602	1,005	--	--
Leasehold land with unexpired lease period of less than 50 years	--	5,726	--	--
Buildings	119,667	79,838	25,183	25,854
	149,843	108,143	36,900	37,571

Motor vehicles of the Group and of the Company with carrying amount of RM1,564,000 (2016: RM1,195,000) and RM1,365,000 (2016: RM906,000) respectively are registered in the names of the Directors held in trust for the companies. Included in the Group's additions of property, plant and equipment is an interest being capitalised of RM428,000 (2016: RM20,000) at a rate of 4.34% (2016: 3.60%) per annum.

4. PREPAID LEASE PAYMENTS

Group	Unexpired period less than 50 years RM'000
At cost	
At 1 August 2015	104,521
Exchange differences	3,331
At 31 July 2016/1 August 2016	107,852
Exchange differences	4,306
At 31 July 2017	112,158
Accumulated amortisation	
At 1 August 2015	4,911
Amortisation charge	2,667
Exchange differences	3,156
At 31 July 2016/1 August 2016	10,734
Amortisation charge	2,638
Exchange differences	427
At 31 July 2017	13,799
Carrying amounts	
At 1 August 2015	99,610
At 31 July 2016/1 August 2016	97,118
At 31 July 2017	98,359

4. PREPAID LEASE PAYMENTS (CONT'D)

Prepaid lease payments of certain subsidiaries with carrying amount of RM86,242,000 (2016: RM85,579,000) are pledged as security for banking facilities granted to the said subsidiaries (see Note 16).

5. INVESTMENT PROPERTIES

	Group	
	2017 RM'000	2016 RM'000
At 1 August 2016/2015	4,800	4,700
Changes in fair value	100	100
At 31 July	4,900	4,800

Included in investment properties are:

	Group	
	2017 RM'000	2016 RM'000
At fair value		
Leasehold land with unexpired lease period of less than 50 years	900	800
Freehold land	730	730
Buildings	3,270	3,270
	4,900	4,800

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

	Group	
	2017 RM'000	2016 RM'000
Rental income	237	69
Direct operating expenses		
- income generating	17	17

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	Level 3	
	2017 RM'000	2016 RM'000
Group		
Leasehold land with unexpired lease period of less than 50 years	900	800
Freehold land	730	730
Buildings	3,270	3,270
	4,900	4,800

5. INVESTMENT PROPERTIES (CONT'D)

5.1 Fair value information (Cont'd)

Level 3 fair value

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

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method:		
Sales price of comparable land in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.	• Price per square foot: RM21 to RM415.	• The estimated fair value would increase (decrease) if the price per square foot is higher (lower).
Building is determined based on depreciated replacement cost. Estimated cost of construction of the buildings is based on current market price.	• Price per square foot: RM64 to RM89.	

Valuation processes applied by the Group for Level 3 fair value

The fair value of the investment properties is determined by Directors by reference to the valuation conducted as at 31 July 2017 by independent professional valuers.

6. INTANGIBLE ASSETS

	Group	
	2017 RM'000	2016 RM'000
License, royalties and other fees		
At cost		
At 1 August 2016/2015	2,718	2,333
Impairment loss	(2,881)	--
Exchange difference	163	385
At 31 July	--	2,718

The useful life of the license, royalties and other fees are estimated to be indefinite as the subsidiary is granted a royalty free exclusive license for the purpose of its business.

6. INTANGIBLE ASSETS (CONT'D)

Impairment testing for cash-generating units containing intangible assets

The Directors have assessed the recoverable amount, based on the value in use, determined by discounting future cash flows expected to be generated from continuing operations. The carrying amount is determined to be higher than its recoverable amount and the Directors have fully impaired the intangible assets during the financial year. The impairment loss is included in other expenses.

As the intangible assets are insignificant to the financial statements, key assumptions used to determine the recoverable amount of the intangible assets are not disclosed.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	**2016 RM'000**
At cost		
Quoted shares outside Malaysia	63,385	63,385
Unquoted shares	271,006	227,390
Less: Impairment loss	(23,462)	(6,662)
	310,929	284,113
Market value		
Quoted shares outside Malaysia	120,990	181,376

Details of the subsidiaries are as follows:

Name of entity	**Principal activities**	**Country of incorporation**	**Effective ownership interest and voting interest**	
			2017 %	**2016 %**
V.S. Plus Sdn. Bhd.	Manufacturing, assembling and sale of plastic moulded components and parts, and electrical products	Malaysia	100	100
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. Integrated Management Sdn. Bhd.	Hostel management services	Malaysia	100	100
V.S. Ashin Technology Sdn. Bhd.	Property letting	Malaysia	74.40	74.40

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal activities	Country of incorporation	Effective ownership interest and voting interest 2017 %	2016 %
Skreen Fabric (M) Sdn. Bhd.	Manufacturing screen fabric printing, filter components and other related products	Malaysia	60	--
V.S. Holdings (M) Ltd#	Investment holding	Mauritius	100	100
PT. V.S. Technology Indonesia@	Assembling and sale of electronic products and injection moulding of plastic components	Indonesia	100	100
VS Marketing & Engineering Pte. Ltd.@	Trading of electronic components	Singapore	51	51
V S International Venture Pte. Ltd.@	Investment holding	Singapore	100	100
V.S. International Group Limited@ - Listed on Hong Kong Stock Exchange	Investment holding	Cayman Islands	43.49	43.66
Subsidiaries of V.S. International Group Limited @				
V.S. International Industry Limited	Investment holding	British Virgin Islands	43.49	43.66
V.S. Investment Holdings Limited	Dormant	British Virgin Islands	43.49	43.66
V.S. Corporation (Hong Kong) Co., Limited	Trading of electronic products, parts and components and investment holding	Hong Kong	43.49	43.66
V.S. Technology Industry Park (Zhuhai) Co., Ltd.	Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components	People's Republic of China	43.49	43.66
Haivs Industry (Qingdao) Co., Ltd.	Dormant	People's Republic of China	43.49	43.66
Qingdao GS Electronics Plastic Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	43.49	43.66

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal activities	Country of incorporation	Effective ownership interest and voting interest 2017 %	2016 %
Subsidiaries of V.S. International Group Limited @ (Cont'd)				
Qingdao GP Electronic Plastics Co., Ltd.	Dormant	People's Republic of China	43.49	43.66
Qingdao GP Precision Mold Co., Ltd.	Dormant	People's Republic of China	43.49	43.66
VSA Holding Hong Kong Co., Limited	Investment holding	Hong Kong	43.49	43.66
VSA Electronics Technology (Zhuhai) Co., Ltd.	Assembling and selling of electronic products, parts and components	People's Republic of China	43.49	43.66
V.S. Industry (Zhuhai) Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	43.49	43.66
V.S. Holding Vietnam Limited	Investment holding	British Virgin Islands	43.49	43.66
V.S. Industry Holding Limited	Investment holding	Hong Kong	43.49	43.66
V.S. ECO-TECH (Zhuhai) Co., Ltd.	Dormant	People's Republic of China	43.49	43.66
V.S. Industrial Product Design (Zhuhai) Co., Ltd.	Product design and trading of electronic products, parts and components	People's Republic of China	43.49	43.66
Energy Ally Global Limited	Investment holding	British Virgin Islands	43.49	43.66
Zhuhai Deyuan Energy Conservation Technology Company Limited	Operation and management of rooftop solar plant	People's Republic of China	43.49	43.66
Subsidiary of VS Marketing & Engineering Pte. Ltd.@				
Serumi International Private Limited	Design and sale of healthcare products	Singapore	49.30	49.30

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal activities	Country of incorporation	Effective ownership interest and voting interest 2017 %	2016 %
Subsidiary of V S International Venture Pte. Ltd. @				
Guardian South East Asia Pte. Ltd.	Trading of driver safety products	Singapore	100	100
Subsidiary of Skreen Fabric (M) Sdn. Bhd.				
Skreen Fabric Marketing Sdn. Bhd.	Trading in all kinds of screen printing equipment, material and kits	Malaysia	60	--

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

Although the Group owns less than half of the ownership interest and voting power in V. S. International Group Limited ("VSIG") and its subsidiaries, the Directors have determined that the Group controls these entities. The Group controls VSIG by virtue of an agreement with certain Directors; the Group has de facto control over VSIG on the basis that the total voting shares held by the said Directors together with the Company's interest in VSIG exceeds more than half of the total voting shares in VSIG.

7.1 Non-controlling interests in subsidiaries

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

	2017		
	V. S. International Group Limited	**Other individually immaterial subsidiaries**	**Total**
NCI percentage of ownership interest and voting interest	56.51%		
	RM'000	**RM'000**	**RM'000**
Carrying amount of NCI	215,525	4,885	220,410
Profit/(Loss) allocated to NCI	3,228	(1,730)	1,498

	2016		
	V. S. International Group Limited	**Other individually immaterial subsidiaries**	**Total**
NCI percentage of ownership interest and voting interest	56.34%		
	RM'000	**RM'000**	**RM'000**
Carrying amount of NCI	184,610	1,370	185,980
Loss allocated to NCI	(13,320)	(370)	(13,690)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

7.1 Non-controlling interests in subsidiaries (Cont'd)

	Group	
	2017 RM'000	2016 RM'000
V. S. International Group Limited		
Summarised financial information before intra-group elimination		
As at 31 July		
Non-current assets	498,517	422,163
Current assets	332,899	240,818
Non-current liabilities	(71,008)	(82,765)
Current liabilities	(377,208)	(250,428)
Net assets	383,200	329,788
Year ended 31 July		
Revenue	804,623	566,082
Profit/(Loss) for the year	5,725	(23,652)
Total comprehensive income/(expense)	35,157	(20,808)
Cash flows from operating activities	80,146	28,805
Cash flows used in investing activities	(58,160)	(22,283)
Cash flows used in financing activities	(21,069)	(18,399)
Net increase/(decrease) in cash and cash equivalents	917	(11,877)
Dividends paid to NCI	--	--

8. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost				
Unquoted shares outside Malaysia	32,198	24,966	16,623	16,623
Unquoted shares inside Malaysia	60,000	--	60,000	--
Share of post-acquisition reserves	(3,662)	(3,687)	--	--
	88,536	21,279	76,623	16,623
Less: Impairment loss	(11,651)	(11,651)	(16,623)	(16,623)
	76,885	9,628	60,000	--

8. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of associates are as follows:

Name of entity	Principal place of business and country of incorporation	Nature of relationship	Effective ownership interest and voting interest 2017 %	2016 %
PT. VS Mining Resources	Indonesia	General survey and mining; exploration and exploitation; and processing and distribution of coal	45.00	45.00
VS Industry Vietnam Joint Stock Company	Vietnam	Manufacturing and selling of plastic moulded products and parts	25.00	23.93
NEP Holdings (Malaysia) Berhad	Malaysia	Designing, manufacturing and distributing water filtration systems	20.00	--*

* *In prior financial year, the Company paid RM30 million for the first tranche of 111,756 subscription shares representing 10% of the issued and paid up capital of NEP Holdings (Malaysia) Berhad ("NEP"), which has been accounted for as available-for-sale financial assets (Note 9).*

NEP became an associate of the Company during the financial year upon the completion of the second tranche subscription as disclosed in Note 32.

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

	VS Industry Vietnam Joint Stock Company 2017 RM'000	NEP Holdings (Malaysia) Berhad 2017 RM'000	Total 2017 RM'000	VS Industry Vietnam Joint Stock Company 2016 RM'000
Group				
Summarised financial information				
As at 31 July				
Non-current assets	88,320	81,703		92,436
Current assets	120,371	166,986		109,168
Non-current liabilities	(9,232)	(267)		(14,554)
Current liabilities	(156,069)	(25,671)		(146,406)
Net assets	43,390	222,751		40,644
Year ended 31 July				
(Loss)/Profit from continuing operations/Total comprehensive (expense)/income	(24,636)	40,698		6,771
Included in the total comprehensive income is:				
Revenue	225,262	251,167		185,670

8. INVESTMENTS IN ASSOCIATES (CONT'D)

	VS Industry Vietnam Joint Stock Company 2017 RM'000	NEP Holdings (Malaysia) Berhad 2017 RM'000	Total 2017 RM'000	VS Industry Vietnam Joint Stock Company 2016 RM'000
Group				
Reconciliation of net assets to carrying amount				
As at 31 July				
Group's share of net assets	3,393	44,550	47,943	9,721
Goodwill	--	21,450	21,450	--
Exchange differences	7,492	--	7,492	(93)
Carrying amount in statement of financial position	10,885	66,000	76,885	9,628
Group' shares of results				
Year ended 31 July				
Group's share of (loss)/profit and total comprehensive (expense)/income	(6,235)	6,000	(235)	1,620

9. OTHER INVESTMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Available-for-sale financial assets				
- Unquoted shares	--	30,000	--	30,000
- Unquoted shares outside Malaysia	4,727	4,293	4,727	4,293
- Quoted shares outside Malaysia	50,603	39,250	--	--
	55,330	73,543	4,727	34,293
Less: Impairment loss	(11,665)	(7,623)	--	--
Exchange difference	(3,397)	(2,907)	--	--
	40,268	63,013	4,727	34,293
Market value of quoted shares outside Malaysia	35,541	28,720	--	--

10. TRADE AND OTHER RECEIVABLES

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current				
Prepayments	29,030	26,802	--	--
Less: Impairment loss	(21,624)	(21,767)	--	--
Add: Exchange differences	(143)	948	--	--
	7,263	5,983	--	--
Current				
Trade receivables	911,724	533,357	147,865	25,231
Other receivables, deposits and prepayments	77,198	41,574	19,002	6,152
Due from associates - trade	7,095	8,505	--	--
Due from subsidiaries				
- trade	--	--	27,670	9,355
- non-trade	--	--	3,074	3,383
- loan	--	--	--	5,822
	996,017	583,436	197,611	49,943
	1,003,280	589,419	197,611	49,943

Included in the non-current prepayments were prepayment of RMB34.0 million (approximately RM21.8 million) made to a vendor pursuant to an agreement entered into by the Group with the vendor in relation to the acquisition of a 20% interest in a company involved in solar energy project in Inner Mongolia for a consideration of RMB44.0 million (approximately RM28.2 million) subject to the fulfilment of certain conditions set out therein. Upon completion of the acquisition, the Group will be entitled to an option for an exercisable period of 3 months to acquire the remaining 80% equity interest of the said company at its sole discretion.

On 1 November 2015, the agreement lapsed as certain conditions set out in the agreement had not been fulfilled. The Group has been in discussions with the vendor regarding the full refund of the prepayment of RMB34.0 million (approximately RM21.8 million). On 31 August 2016, a settlement agreement was entered into between the Group and the vendor, pursuant to which the vendor shall repay the prepayment and the interest thereon at 5% per annum by 30 November 2016.

Up to the date of these consolidated financial statements, the prepayment has not yet been refunded to the Group. In view of the lapse of the agreement and settlement agreement, and there is no collateral or guarantee provided by the vendor to the Group on the refund of the prepayment, a provision for impairment was made on the entire amount of the prepayment in the year ended 31 July 2016. The Group is under a legal proceeding against the vendor regarding the full refund of the prepayment and the interest thereon.

The trade amounts due from subsidiaries are subject to normal trade terms. Loan to subsidiaries and non-trade amounts due from subsidiaries are unsecured, interest free and repayable on demand.

11. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2017 RM'000	Assets 2016 RM'000	Liabilities 2017 RM'000	Liabilities 2016 RM'000	Net 2017 RM'000	Net 2016 RM'000
Property, plant and equipment						
- capital allowances	--	--	(23,592)	(18,792)	(23,592)	(18,792)
- revaluation	--	--	(26,281)	(16,767)	(26,281)	(16,767)
- fair value adjustments	--	--	(26,415)	(26,415)	(26,415)	(26,415)
Deductible temporary differences	4,890	5,833	--	--	4,890	5,833
Unutilised enhanced export incentive	--	17,514	--	--	--	17,514
Others	2,336	1,114	--	--	2,336	1,114
Tax assets/(liabilities)	7,226	24,461	(76,288)	(61,974)	(69,062)	(37,513)
Set off of tax	(3,343)	(14,474)	3,343	14,474	--	--
Net tax assets/(liabilities)	3,883	9,987	(72,945)	(47,500)	(69,062)	(37,513)

	Company 2017 RM'000	Company 2016 RM'000
Property, plant and equipment		
- capital allowances	(5,892)	(4,160)
- revaluation	(6,195)	(5,177)
Deductible temporary differences	733	899
Unabsorbed capital allowances	2,267	1,045
Unutilised tax losses	69	69
	(9,018)	(7,324)

Movement in temporary differences during the year:

Group	At 1.8.2016 RM'000	Recognised in profit or loss (Note 19) RM'000	Recognised in other comprehensive income RM'000	Exchange differences RM'000	Acquisition of subsidiaries RM'000	At 31.7.2017 RM'000
Property, plant and equipment						
- capital allowances	(18,792)	(3,632)	--	(1,212)	44	(23,592)
- revaluation	(16,767)	3,894	(12,187)	(1,221)	--	(26,281)
- fair value adjustments	(26,415)	--	--	--	--	(26,415)
Deductible temporary differences	5,833	(754)	--	(189)	--	4,890
Unutilised enhanced export incentive	17,514	(18,637)	--	1,123	--	--
Others	1,114	1,222	--	--	--	2,336
	(37,513)	(17,907)	(12,187)	(1,499)	44	(69,062)

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

Movement in temporary differences during the year: (Cont'd)

Group	At 1.8.2015 RM'000	Recognised in profit or loss (Note 19) RM'000	Exchange differences RM'000	At 31.7.2016 RM'000
Property, plant and equipment				
- capital allowances	(18,110)	29	(711)	(18,792)
- revaluation	(18,095)	1,347	(19)	(16,767)
- fair value adjustments	(26,415)	--	--	(26,415)
Deductible temporary differences	5,811	(723)	745	5,833
Unutilised enhanced export incentive	18,000	(1,275)	789	17,514
Others	170	944	--	1,114
	(38,639)	322	804	(37,513)

Company	At 1.8.2016 RM'000	Recognised in profit or loss (Note 19) RM'000	Recognised in other comprehensive income RM'000	At 31.7.2017 RM'000
Property, plant and equipment				
- capital allowance	(4,160)	(1,732)	--	(5,892)
- revaluation	(5,177)	174	(1,192)	(6,195)
Deductible temporary differences	899	(166)	--	733
Unabsorbed capital allowances	1,045	1,222	--	2,267
Unutilised tax losses	69	--	--	69
	(7,324)	(502)	(1,192)	(9,018)

Company	At 1.8.2015 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.7.2016 RM'000
Property, plant and equipment			
- capital allowance	(4,528)	368	(4,160)
- revaluation	(5,332)	155	(5,177)
Deductible temporary differences	846	53	899
Unabsorbed capital allowances	101	944	1,045
Unutilised tax losses	69	--	69
	(8,844)	1,520	(7,324)

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

Unrecognised deferred tax assets

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

	Group	
	2017 RM'000	2016 RM'000
Unutilised tax losses	56,439	92,279
Deductible temporary differences	--	668
Taxable temporary differences	(1,037)	(826)
	55,402	92,121

The unutilised tax losses and deductible temporary differences do not expire under current tax legislation other than unutilised tax losses of RM43.7 million arose from subsidiaries incorporated in the People's Republic of China which will expire between 2018 to 2022. During the financial year, the expired unutilised tax losses was RM12.9 million. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits there from.

12. INVENTORIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Raw materials	312,387	176,489	63,004	13,839
Work-in-progress	52,106	27,835	18,972	3,350
Finished goods	114,339	102,056	5,505	4,531
Packing materials	982	223	982	223
	479,814	306,603	88,463	21,943
Recognised in profit or loss:				
- Inventories recognised as cost of goods sold	2,822,924	1,839,095	497,889	178,502

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks	45,859	12,447	191	185
Cash and bank balances	299,060	205,954	23,317	8,151
	344,919	218,401	23,508	8,336

Included in the deposits placed with licensed banks of the Group is RM45,346,000 (2016: RM7,951,000) pledged for bank facilities granted to certain subsidiaries.

14. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of Ordinary Share	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ordinary shares:				
Authorised with par value of RM0.20 each*	--	500,000	--	2,500,000
Issued and fully paid:				
At 1 August	235,169	230,848	1,175,844	230,848
Shares issued under ESOS	11,367	1,850	11,993	8,514
Shares held under trust	8,700	2,471	16,000	12,354
Share split	--	--	--	924,128
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 14.1)	113,873	--	--	--
At 31 July	369,109	235,169	1,203,837	1,175,844

14.1 Included in share capital is share premium amounting to RM113,873,000 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

* *The concept of authorised share capital and par value of share capital have been abolished on the commencement of the Companies Act 2016 on 31 January 2017.*

Reserves

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable				
Share premium	--	108,542	--	108,542
Shares held under trust	(1,607)	(4,396)	(1,607)	(4,396)
Revaluation reserve	79,669	55,420	28,544	22,847
Exchange fluctuation reserve	79,158	50,471	--	--
Capital reserve	13,728	12,273	--	--
Employee share-based reserve	14,742	12,692	12,297	10,890
Treasury shares	(1,792)	(1,792)	(1,792)	(1,792)
	183,898	233,210	37,442	136,091
Distributable				
Retained earnings	504,539	411,524	42,428	30,170
	688,437	644,734	79,870	166,261

14. CAPITAL AND RESERVES (CONT'D)

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium has been transferred and become part of the Company's share capital.

Treasury shares

At the Annual General Meeting held on 5 January 2017, the shareholders of the Company renewed their approval for the Company to repurchase its own shares.

During the financial year, the Company repurchased from the open market a total of NIL (2016: 170,000) of its issued ordinary shares. The average repurchase price was NIL (2016: RM1.23) per ordinary share. The total consideration paid in prior year was RM209,836 including transaction costs of RM522.

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 2017, a total of 5,916,680 (2016: 5,916,680) repurchased shares are being held as treasury shares. The number of outstanding ordinary shares in issue after the set off is 1,197,919,900 (2016: 1,169,926,650).

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.

Shares held under trust

The Group Employees can elect to fund the exercise of the options themselves or through an ESOS Trust Funding Mechanism ("ETF Mechanism"). To facilitate ETF Mechanism, the Company provides funding to the trustee to subscribe for new shares of the Company which are held under a trust and managed by a trustee. Shares issued by the Company under the ETF mechanism are recorded as shares held under trust in the financial statements. The shares issued under the ETF mechanism rank pari passu in all respects with the existing ordinary shares of the Company.

The movement of shares held under trust during the financial year is as follows:

	2017 RM'000	2016 RM'000
As at 1 August	4,396	4,972
Subscription of new shares	11,200	8,648
Exercise of ESOS options by eligible employees via ETF mechanism	(13,989)	(9,224)
As at 31 July	1,607	4,396

Revaluation reserve

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

14. CAPITAL AND RESERVES (CONT'D)

Exchange fluctuation reserve

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

Capital reserve

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

Employee share-based reserve

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

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

Equity settled share-based transaction

At an Extraordinary General Meeting held on 8 May 2015, 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 terms and conditions relating to the grants of the new 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			
- 12 May 2015	30,800	- 20% of the options issued for each calendar year	5 years
- 28 February 2017	13,179	- 30% of the options issued for third and fourth calendar year	3 years
		- 40% of the options issued for fifth calendar year	

14. CAPITAL AND RESERVES (CONT'D)

The number and weighted average exercise prices of the share options are as follows:

	2017		2016	
	Weighted average exercise price RM	Number of options ('000)	Weighted average exercise price RM	Number of options ('000)
Outstanding at 1 August	0.70	120,301	3.51	28,885
Granted during the year	1.42	13,179	--	--
Share split during the year	--	--	--	112,612
Forfeited during the year	0.93	(1,696)	0.81	(1,477)
Exercised during the year	0.73	(31,977)	0.79	(19,719)
Outstanding at 31 July	0.78	99,807	0.70	120,301

The options outstanding at 31 July 2017 have an exercise price in the range of RM0.70 to RM1.42 (2016: RM0.70 to RM3.51) and a weighted average contractual life of 2 years (2016: 3 years).

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 with the following inputs:

Fair value at grant date	RM0.311
Share price at grant date	RM1.56
Expected volatility (weighted average volatility)	35.91%
Option life (expected weighted average life)	3 years
Expected dividends	3.53%
Risk-free interest rate (based on Malaysian Government Securities)	3.226%

Value of employee services received for issue of share options

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total expense recognised as equity settled share-based transactions	13,681	10,094	3,028	3,618

15. LONG TERM PAYABLES

	Group	
	2017 RM'000	2016 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.

16. LOANS AND BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-current				
Secured				
Term loans	34,040	52,290	--	--
Finance lease liabilities	18,792	9,787	8,760	255
	52,832	62,077	8,760	255
Unsecured				
Term loans	66,217	30,396	46,644	4,551
	119,049	92,473	55,404	4,806
Current				
Secured				
Term loans	26,035	24,392	--	--
Bank overdrafts	13,919	10,730	--	--
Trust receipts	88,410	38,345	--	--
Short term loan	19,080	18,369	--	--
Finance lease liabilities	6,922	4,233	2,076	235
	154,366	96,069	2,076	235
Unsecured				
Revolving credits	15,000	8,100	15,000	8,100
Term loans	34,566	19,802	18,552	4,198
Bankers' acceptances	202,356	94,176	62,413	11,456
Bank overdrafts	--	490	--	--
Trust receipts	167,142	93,649	41,069	5,693
Short term loan	14,402	10,284	--	--
	433,466	226,501	137,034	29,447
	587,832	322,570	139,110	29,682
	706,881	415,043	194,514	34,488

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 26.5.

16. LOANS AND BORROWINGS (CONT'D)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Group			Company		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017						
Less than one year	8,444	1,522	6,922	2,658	582	2,076
Between one and five years	20,718	1,926	18,792	9,791	1,031	8,760
	29,162	3,448	25,714	12,449	1,613	10,836
2016						
Less than one year	4,967	734	4,233	252	17	235
Between one and five years	10,909	1,122	9,787	262	7	255
	15,876	1,856	14,020	514	24	490

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Trade payables	671,403	332,609	147,156	27,648
Other payables and accrued expenses	147,439	107,837	25,644	13,639
Due to subsidiaries				
- trade	--	--	31,019	3,039
- non-trade	--	--	--	1,060
Due to associates				
- trade	--	112	--	--
	818,842	440,558	203,819	45,386

17. TRADE AND OTHER PAYABLES (CONT'D)

Included in other payables and accrued expenses are:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment creditors	14,018	9,779	1,118	512
Sundry creditors	37,943	26,630	11,654	3,688
Accrued expenses	67,546	54,768	12,872	9,023
Progress billings to customers	27,932	16,660	--	416
	147,439	107,837	25,644	13,639

The trade portion of amounts due to subsidiaries and associates are subject to normal trade terms.

The non-trade amounts due to subsidiaries are unsecured, interest free and repayable on demand.

18. FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	22,273	13,797	4,959	1,301
Less: Amount capitalised in property, plant and equipment	(428)	(20)	--	--
	21,845	13,777	4,959	1,301
Add: Other financing cost	1,757	1,793	108	58
	23,602	15,570	5,067	1,359

19. TAX EXPENSE/(INCOME)

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense				
- Malaysian tax				
- Current year	39,154	29,772	25	188
- Prior year	217	(4)	(52)	37
- Overseas tax				
- Current year	7,634	8,182	--	--
- Prior year	944	--	--	--
	47,949	37,950	(27)	225
Deferred tax expense/(income)				
- Malaysian tax				
- Origination and reversal of temporary differences	20,543	(217)	(424)	(1,501)
- Under/(Over) provision in prior year	236	(32)	926	(19)
- Overseas tax				
- Origination and reversal of temporary differences	(2,872)	(73)	--	--
	17,907	(322)	502	(1,520)
Total tax expense/(income)	65,856	37,628	475	(1,295)
Reconciliation of tax expense/(income)				
Profit for the year	157,817	104,238	76,864	59,649
Total tax expense/(income)	65,856	37,628	475	(1,295)
Profit before tax	223,673	141,866	77,339	58,354
Income tax calculated using Malaysian tax rate of 24%	53,682	34,048	18,561	14,005
Effect of different tax rates in foreign jurisdictions	3,628	5,054	--	--
Deferred tax assets not recognised in subsidiaries	(5,003)	1,037	--	--
Non-deductible expenses	14,155	11,610	7,440	1,962
Non-taxable income	--	--	(26,400)	(17,280)
Utilisation of tax incentives	(2,003)	(14,085)	--	--
	64,459	37,664	(399)	(1,313)
Under/(Over) provision in prior years	1,397	(36)	874	18
Total tax expense/(income)	65,856	37,628	475	(1,295)

20. PROFIT FOR THE YEAR

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the year is arrived at after charging/ (crediting)				
Audit fees				
- KPMG Malaysia	299	291	173	154
- Other auditors	1,352	1,297	--	--
Non-audit fees				
- KPMG Malaysia	11	9	11	9
- Local affiliates of KPMG Malaysia	170	--	170	--
- Other auditors	141	95	--	--
Amortisation of prepaid lease payments	2,638	2,667	--	--
Allowance for/(Reversal of) slow moving inventories	1,389	(7,503)	--	--
Depreciation	75,413	69,379	9,342	8,836
Derivative loss on currency forward contracts	--	258	--	--
Impairment loss/(Reversal) on:				
- trade receivables	(179)	(316)	--	--
- prepayments	--	21,767	--	--
- other investments	4,042	7,623	--	--
- investment in subsidiaries	--	--	16,800	--
- intercompany balances	--	--	1,537	--
- intangible assets	2,881	--	--	--
Investment in a subsidiary written off	--	--	155	--
Operating lease rental	5,416	5,464	--	--
Personnel expenses (including key management personnel):				
- Contributions to state plans	9,940	8,829	3,913	2,897
- Wages, salaries and others	390,936	293,463	72,135	36,340
- Equity settled share-based transactions	13,681	10,094	3,028	3,618
Rental of premises	10,534	8,071	2,098	809
Changes in fair value of investment properties	(100)	(100)	--	--
Foreign exchange:				
- unrealised (gain)/loss	(703)	3,579	(701)	601
- realised gain	(8,232)	(13,973)	(3,861)	(545)
Dividend income from subsidiaries	--	--	(110,000)	(72,000)
Property, plant and equipment:				
- written off	27	92	--	1
- loss on disposal	1,413	266	3	47
Rental income	(1,724)	(3,640)	(10)	(9)
Revaluation deficits on properties	12,009	--	--	--

21. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

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

	Group	
	2017 RM'000	**2016 RM'000**
Profit for the year attributable to owners	156,319	117,928

	Group	
	2017 '000	**2016 '000**
Weighted average number of ordinary shares at 31 July	1,181,414	1,161,334

	2017	**2016**
Basic earnings per ordinary share (sen)	13.23	10.15

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 July 2017 was 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:

	Group	
	2017 RM'000	**2016 RM'000**
Profit for the year attributable to owners (diluted)	156,319	117,928

Weighted average number of ordinary shares (diluted):

	Group	
	2017 '000	**2016 '000**
Weighted average number of ordinary shares (basic)	1,181,414	1,161,334
Effect of share options in issue	52,725	56,545
Effect of conversation of warrants	1,751	--
Weighted average number of ordinary shares (diluted) at 31 July	1,235,890	1,217,879

	2017	**2016**
Diluted earnings per ordinary share (sen)	12.65	9.68

22. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2017			
Fourth interim 2016	0.8	9,366	28 October 2016
Final 2016	0.8	9,405	25 January 2017
First interim 2017	1.2	14,175	15 March 2017
Second interim 2017	1.2	14,241	12 May 2017
Third interim 2017	1.5	17,966	28 July 2017
		65,153	
2016			
Fourth interim 2015	1.2	13,875	30 October 2015
Final 2015	1.2	13,957	29 January 2016
First interim 2016	1.5	17,443	11 March 2016
Second interim 2016	0.8	9,303	13 May 2016
Third interim 2016	0.8	9,359	28 July 2016
		63,937	

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

	Sen per share	Total amount RM'000	Date of payment
Fourth interim 2017	1.0	12,263	27 October 2017
Final 2017	1.0	12,446	--
		24,709	

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

23. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment represents:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current year additions (Note 3)	166,911	82,803	42,995	2,529
Less: Amount financed by:				
- finance lease creditors	(13,733)	(10,675)	(10,635)	--
- amount under credit term (Note 17)	(14,018)	(9,779)	(1,118)	(512)
Finance cost capitalised	(428)	(20)	--	--
Add: Payment in respect of previous year's purchase of property, plant and equipment	9,779	6,585	512	3,808
	148,511	68,914	31,754	5,825

24. OPERATING SEGMENTS

Group

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

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

Segment assets

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

Segment liabilities

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

24. OPERATING SEGMENTS (CONT'D)

	Malaysia		People's Republic of China		Indonesia		Total	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Segment profit/(loss)	204,035	162,927	17,426	(18,917)	(5,066)	7,098	216,395	151,108
Included in the measure of segment profit are:								
Revenue from external customers	2,294,381	1,489,440	803,451	565,229	182,285	118,967	3,280,117	2,173,636
Inter-segment revenue	2,984	1,508	1,172	853	--	--	4,156	2,361
Depreciation and amortisation	(30,450)	(28,149)	(38,624)	(35,232)	(8,624)	(8,364)	(77,698)	(71,745)
Finance costs	(13,215)	(6,053)	(8,968)	(7,771)	(1,419)	(1,746)	(23,602)	(15,570)
Finance income	2,168	1,064	1,132	246	214	165	3,514	1,475
Not included in the measure of segment profit but provided to Managing Director								
Tax expense	(60,150)	(29,519)	(5,466)	(6,355)	(240)	(1,754)	(65,856)	(37,628)
Segment assets	2,193,899	1,435,743	831,416	662,981	198,751	144,623	3,224,066	2,243,347
Included in the measure of segment assets are:								
Additions to non-current assets other than financial instruments and deferred tax assets	71,223	20,224	68,947	57,231	2,420	5,348	142,590	82,803
Segment liabilities	1,126,190	551,000	448,216	333,193	118,912	68,023	1,693,318	952,216

24. OPERATING SEGMENTS (CONT'D)

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

	2017 RM'000	2016 RM'000
Profit		
Total profit for reportable segments	216,395	151,108
Other non-reportable segments	6,540	(12,533)
Elimination of inter-segment profits	973	1,671
Share of (loss)/profit of associates not included in reportable segments	(235)	1,620
Consolidated profit before tax	223,673	141,866

	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000	Investment in associates RM'000	Additions to non-current assets RM'000	Segment liabilities RM'000
2017								
Total reportable segments	3,280,117	(77,698)	(23,602)	3,514	3,224,066	--	142,590	1,693,318
Other non-reportable segments	1,233	(353)	--	--	68,053	--	24,321	4,848
Components not monitored by Managing Director	--	--	--	--	--	76,885	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(397,466)	--	--	(81,469)
Consolidated total	3,281,350	(78,051)	(23,602)	3,514	2,894,653	76,885	166,911	1,616,697
2016								
Total reportable segments	2,173,636	(71,745)	(15,570)	1,475	2,243,347	--	82,803	952,216
Other non-reportable segments	1,990	(301)	--	3	58,557	--	--	28,933
Components not monitored by Managing Director	--	--	--	--	--	9,628	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(317,461)	--	--	(62,589)
Consolidated total	2,175,626	(72,046)	(15,570)	1,478	1,984,443	9,628	82,803	918,560

24. OPERATING SEGMENTS (CONT'D)

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

	Revenue		Non-current assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group				
Malaysia	1,207,216	736,601	382,620	323,792
United States of America	896,100	665,048	--	--
Europe	200,476	151,785	--	--
Indonesia	182,936	119,853	77,087	87,640
People's Republic of China	575,358	341,867	486,548	411,175
Others	219,264	160,472	45,578	31,744
Total	3,281,350	2,175,626	991,833	854,351

Major customers

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

	Revenue RM'000	Segment
2017		
Customer A	760,578	Malaysia
Customer B	402,115	Malaysia
Customer C	361,967	Malaysia
2016		
Customer A	527,549	Malaysia
Customer B	315,774	Malaysia

25. CONTINGENCIES (UNSECURED)

	Company	
	2017 RM'000	2016 RM'000
Corporate guarantees given to financial institutions in respect of outstanding term loans and banking facilities of the subsidiaries	316,326	226,699

26. FINANCIAL INSTRUMENTS

26.1 Categories of financial instruments

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

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"):
- Held for trading ("HFT");
(c) Available-for-sale financial assets ("AFS"); and
(d) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R RM'000	AFS RM'000	FL RM'000
2017				
Group				
Other investments	40,268	--	40,268	--
Trade and other receivables	996,017	996,017	--	--
Cash and cash equivalents	344,919	344,919	--	--
Loans and borrowings	(706,881)	--	--	(706,881)
Trade and other payables	(790,991)	--	--	(790,991)
Long term payables	(4,322)	--	--	(4,322)
	(120,990)	1,340,936	40,268	(1,502,194)
Company				
Other investments	4,727	--	4,727	--
Trade and other receivables	197,611	197,611	--	--
Dividend receivables	40,000	40,000	--	--
Cash and cash equivalents	23,508	23,508	--	--
Loans and borrowings	(194,514)	--	--	(194,514)
Trade and other payables	(203,819)	--	--	(203,819)
	(132,487)	261,119	4,727	(398,333)
2016				
Group				
Other investments	63,013	--	63,013	--
Trade and other receivables	583,436	583,436	--	--
Cash and cash equivalents	218,401	218,401	--	--
Loans and borrowings	(415,043)	--	--	(415,043)
Trade and other payables	(423,898)	--	--	(423,898)
Long term payables	(4,322)	--	--	(4,322)
	21,587	801,837	63,013	(843,263)
Company				
Other investments	34,293	--	34,293	--
Trade and other receivables	49,943	49,943	--	--
Cash and cash equivalents	8,336	8,336	--	--
Loans and borrowings	(34,488)	--	--	(34,488)
Trade and other payables	(44,970)	--	--	(44,970)
	13,114	58,279	34,293	(79,458)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gains/(losses) arising on:				
Fair value through profit or loss:				
- Held for trading	--	(258)	--	--
Available-for-sale financial assets	(4,042)	(10,734)	--	--
Loans and receivables	26,075	30,129	8,741	2,043
Financial liabilities measured at amortised cost	(37,049)	(30,400)	(10,690)	(2,836)
	(15,016)	(11,263)	(1,949)	(793)

26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

26.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company have significant concentration of credit risk arising from amounts due from two major customers, representing 39% and 90% (2016: 41% and 56%) of the Group's and of the Company's trade receivables respectively.

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

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Credit risk (Cont'd)

Receivables (Cont'd)

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

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	336,370	211,133	143,335	25,231
Indonesia	65,853	29,126	--	--
People's Republic of China	94,233	70,882	--	--
United States of America	288,131	151,826	2,365	--
Others	127,137	70,390	2,165	--
	911,724	533,357	147,865	25,231

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables (as disclosed in Note 10) as at the end of the reporting period was:

	Group			Company
	Gross RM'000	Individual impairment RM'000	Net RM'000	Gross/Net RM'000
2017				
Not past due	774,243	--	774,243	129,151
Past due 1 - 30 days	119,512	--	119,512	17,612
Past due 31 - 60 days	10,227	--	10,227	788
Past due 61 - 90 days	3,441	--	3,441	209
Past due more than 90 days	5,347	(1,046)	4,301	105
	912,770	(1,046)	911,724	147,865
2016				
Not past due	440,218	--	440,218	22,101
Past due 1 - 30 days	84,629	--	84,629	2,320
Past due 31 - 60 days	3,310	--	3,310	696
Past due 61 - 90 days	2,883	--	2,883	113
Past due more than 90 days	5,532	(3,215)	2,317	1
	536,572	(3,215)	533,357	25,231

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Credit risk (Cont'd)

Receivables (Cont'd)

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

	Group	
	2017 RM'000	**2016 RM'000**
At 1 August	3,215	6,209
Impairment loss reversed	(179)	(316)
Impairment loss written off	(2,104)	(2,788)
Exchange differences	114	110
At 31 July	1,046	3,215

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

In determining whether impairment allowance is required to be made, the Group considers financial background of the customers, past transactions and other specific reasons causing outstanding balances to be past due more than 90 days.

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM316.3 million (2016: RM226.7 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

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

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Credit risk (Cont'd)

Inter-company balances (Cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position and there was no indication that the loans and advances to subsidiaries are not recoverable.

26.5 Liquidity risk

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

The Group and the Company 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:

	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
Group							
2017							
Non-derivative financial liabilities							
Secured finance lease liabilities	25,714	2.01 – 3.76	29,162	8,444	7,042	13,676	--
Secured term loans	60,075	3.00 – 11.85	63,564	27,270	26,252	6,089	3,953
Secured bank overdrafts	13,919	7.00 – 8.35	14,838	14,838	--	--	--
Secured short term loan	19,080	5.70	19,801	19,801	--	--	--
Secured trust receipts	88,410	4.20	89,669	89,669	--	--	--
Unsecured short term loan	14,402	5.70 – 6.50	14,735	14,735	--	--	--
Unsecured term loans	100,783	4.37 – 6.21	116,339	41,370	34,849	40,001	119
Unsecured revolving credits	15,000	5.15 – 5.40	15,000	15,000	--	--	--
Unsecured bankers' acceptances	202,356	3.68 – 4.22	202,356	202,356	--	--	--
Unsecured trust receipts	167,142	1.90 – 2.70	167,142	167,142	--	--	--
Due to Directors	4,322	--	4,322	--	--	--	4,322
Trade and other payables	790,991	--	790,991	790,991	--	--	--
	1,502,194		1,527,919	1,391,616	68,143	59,766	8,394

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 Liquidity risk (Cont'd)

	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
Group							
2016							
Non-derivative financial liabilities							
Secured finance lease liabilities	14,020	2.20 – 3.25	15,876	4,967	3,430	7,479	--
Secured term loans	76,682	3.40	79,667	25,625	25,209	28,833	--
Secured bank overdrafts	10,730	7.00	11,481	11,481	--	--	--
Secured short term loan	18,369	4.40 – 5.70	19,298	19,298	--	--	--
Secured trust receipts	38,345	3.10	39,522	39,522	--	--	--
Unsecured bank overdrafts	490	7.60 – 7.70	490	490	--	--	--
Unsecured short term loan	10,284	4.40 – 5.70	10,742	10,742	--	--	--
Unsecured term loans	50,198	3.04 – 5.25	52,729	21,336	19,265	12,128	--
Unsecured revolving credits	8,100	4.98 – 5.48	8,100	8,100	--	--	--
Unsecured bankers' acceptances	94,176	3.25 – 4.17	94,176	94,176	--	--	--
Unsecured trust receipts	93,649	0.95 – 1.64	93,649	93,649	--	--	--
Due to Directors	4,322	--	4,322	--	--	--	4,322
Trade and other payables	423,898	--	423,898	423,898	--	--	--
	843,263		853,950	753,284	47,904	48,440	4,322
Company							
2017							
Non-derivative financial liabilities							
Secured finance lease liabilities	10,836	2.28 – 3.10	12,449	2,658	2,506	7,285	--
Unsecured term loans	65,196	4.37 – 6.21	78,358	24,133	18,842	35,383	--
Unsecured revolving credits	15,000	5.15 – 5.40	15,000	15,000	--	--	--
Unsecured bankers' acceptances	62,413	3.71 – 4.22	62,413	62,413	--	--	--
Unsecured trust receipts	41,069	2.02 – 2.44	41,069	41,069	--	--	--
Trade and other payables	203,819	--	203,819	203,819	--	--	--
Financial guarantee*	--	--	316,326	316,326	--	--	--
	398,333		729,434	665,418	21,348	42,668	--

26. FINANCIAL INSTRUMENTS (CONT'D)

26.5 Liquidity risk (Cont'd)

	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
2016							
Non-derivative financial liabilities							
Secured finance lease liabilities	490	2.28 – 2.40	514	252	207	55	--
Unsecured term loans	8,749	5.25	9,242	4,557	4,557	128	--
Unsecured revolving credits	8,100	4.98 – 5.48	8,100	8,100	--	--	--
Unsecured bankers' acceptances	11,456	3.25 – 4.16	11,456	11,456	--	--	--
Unsecured trust receipts	5,693	0.95 – 1.60	5,693	5,693	--	--	--
Trade and other payables	44,970	--	44,970	44,970	--	--	--
Financial guarantee*	--	--	226,699	226,699	--	--	--
	79,458		306,674	301,727	4,764	183	--

* *Represents the amount outstanding as disclosed in Note 26.4.*

26.6 Market risk

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

Currency risk

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

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

Risk management objectives, policies and processes for managing the risk

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

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 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:

	Denominated in RM		Denominated in USD			
	Group		Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade and other receivables	185,448	1,887	52,921	74,526	7,559	13,808
Cash and cash equivalents	54,155	6,357	32,068	34,171	1,406	5,061
Trade and other payables	(80,487)	(23,822)	(86,647)	(43,438)	(51,763)	(12,376)
Unsecured trust receipts	--	--	(41,069)	(5,694)	(41,069)	(5,694)
Unsecured term loans	(4,629)	(8,012)	(31,460)	--	(22,781)	--
Secured trust receipts	--	--	(40,857)	(38,345)	--	--
Secured term loans	--	--	(55,031)	(76,682)	--	--
Bankers' acceptances (unsecured)	(139,943)	(82,720)	--	--	--	--
Finance lease liabilities	(8,933)	(10,135)	--	--	--	--
	5,611	(116,445)	(170,075)	(55,462)	(106,648)	799

Currency risk sensitivity analysis

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

A 10% (2016: 10%) strengthening of the USD/RM against the following currency at the end of the reporting period would have increased or decreased equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Denominated in		
	RM	USD	
	Group RM'000	Group RM'000	Company RM'000
2017			
Profit or (loss)	(426)	12,926	8,105
2016			
Profit or (loss)	8,850	4,215	(61)

A 10% (2016: 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.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 Market risk (Cont'd)

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

The Group has entered into interest rate swap with a notional contract amount of RM9,986,400 (2016: NIL) in order to achieve an appropriate mix of fixed and floating rate exposure. At 31 July 2017, the swap matures over the next seven years following the maturity of a fixed rate bank loan of 4.85% and has a floating swap rate of USD LIBOR-1 month + 1.35%.

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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Fixed rate instruments				
Financial assets	45,859	12,447	191	185
Financial liabilities	(437,225)	(237,375)	(129,318)	(25,739)
	(391,366)	(224,928)	(129,127)	(25,554)
Floating rate instruments				
Financial liabilities	(260,976)	(177,668)	(65,196)	(8,749)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the reporting period would have increased (decreased) the Group's and the Company's post-tax profit or loss by RM1,983,000 (2016: RM1,350,000) and RM496,000 (2016: RM66,000) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

26. FINANCIAL INSTRUMENTS (CONT'D)

26.7 Fair value information

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

The fair value of amount due to Directors cannot be measured reliably because the financial liabilities do not have a contractual maturity date. In any event, this balance is insignificant.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Group			
2017			
Financial liabilities			
Term loans	163,088	163,088	160,858
Finance lease liabilities	25,872	25,872	25,714
	188,960	188,960	186,572
Company			
2017			
Financial liabilities			
Term loans	69,620	69,620	65,916
Finance lease liabilities	10,876	10,876	10,836
	80,496	80,496	76,752

26. FINANCIAL INSTRUMENTS (CONT'D)

26.7 Fair value information

	Fair value of financial instruments not carried at fair value Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Group			
2016			
Financial liabilities			
Term loans	120,369	120,369	126,880
Finance lease liabilities	14,097	14,097	14,020
	134,466	134,466	140,900
Company			
2016			
Financial liabilities			
Term loans	8,611	8,611	8,749
Finance lease liabilities	475	475	490
	9,086	9,086	9,239

Level 3 fair value

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

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used	Significant unobservable inputs
Term loans/Finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowings of the Group entities at the reporting date.	Interest rate (2017: 4.25% - 4.75%; 2016: 4.25% - 4.75%)

27. CAPITAL MANAGEMENT

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

The debt-to-equity ratios at 31 July 2017 and 31 July 2016 were as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Total loans and borrowings (Note 16)	706,881	415,043
Less: Cash and cash equivalents (Note 13)	(344,919)	(218,401)
Net debt	361,962	196,642
Total equity attributable to owners of the Company	1,057,546	879,903
Debt-to-equity ratio	0.34	0.22

28. CAPITAL COMMITMENTS

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Capital expenditure commitments				
Property, plant and equipment				
Contracted but not provided for	22,958	16,888	11,443	2,384
Authorised but not contracted for	26,000	--	--	--

29. OPERATING LEASES

Leases as lessee

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

	Group	
	2017 RM'000	**2016 RM'000**
Within one year	2,727	2,576

29. OPERATING LEASES (CONT'D)

Leases as lessor

As at 31 July 2017 and 2016, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	Group	
	2017 RM'000	2016 RM'000
Within one year	141	1,385

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its significant investors, subsidiaries, associates and key management personnel.

30. RELATED PARTIES (CONT'D)

Significant related party transactions

The significant related party transactions of the Group and the Company as follows:

		Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
A.	**Subsidiaries**				
		--	--	114,883	104,814
	Sales of goods	--	--	104	368
	Sales of plant and equipment	--	--	34,995	9,258
	Purchases of goods				
	Purchases of plant and equipment	--	--	49	868
	Rental expense	--	--	1,619	732
	Dividend received/receivable	--	--	110,000	72,000
B.	**Associates**				
	Purchases of goods	--	120	--	--
	Sales of goods	5,184	4,509	--	--
	Outstanding balances:				
	- due to	--	112	--	--
	- due from	7,095	8,505	--	--
C.	**Companies which are wholly - owned by close family member of certain Directors**				
	Purchases of tooling	3,187	1,146	--	--
	Outstanding balances:				
	- due to	532	199	--	--
	- due from	442	--	--	--
D.	**Company in which the spouse of a Director has financial interest**				
	Purchases of goods	31,408	32,376	14,585	15,028
	Outstanding balances	4,920	5,197	1,887	2,123
E.	**Remuneration paid to staff who are close family member of certain Directors**	2,918	2,455	491	448
F.	**A company controlled by a Director**				
	Operating lease charges and management fee expense	5,012	5,068	--	--
	Outstanding balances:				
	- due to	118	--	--	--
	- due from	1,267	1,525	--	--

30. RELATED PARTIES (CONT'D)

Significant related party transactions (Cont'd)

		Group		Company	
		2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
G.	**A company controlled by the family member of a Director**				
	Sub-contracting fee expense	4,641	3,937	--	--
	Outstanding balances	438	268	--	--
H.	**A company controlled by the family member of a key management personnel**				
	Repair and maintenance services	981	221	--	--
	Outstanding balances	118	20	--	--
I.	**Key management personnel**				
	Directors				
	- Fees	643	636	412	412
	- Remuneration	20,825	19,155	7,229	6,614
	- Contributions to state plans	1,711	1,678	833	817
	- Equity settled share-based transaction	3,040	1,909	826	1,600
	Total short term employee benefits	26,219	23,378	9,300	9,443
	Other key management personnel:				
	- Wages, salaries and others	4,328	3,935	419	615
	- Contributions to state plans	157	177	50	74
	- Other short term employee benefits	51	50	9	8
	- Equity settled share-based transaction	491	548	46	89
		5,027	4,710	524	786
		31,246	28,088	9,824	10,229

The estimated monetary value of Directors' benefit-in-kind of the Group/Company is RM136,000 (2016: RM112,000).

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.

31. ACQUISITION OF SUBSIDIARIES

The Group acquired 60% of the issued and paid-up share capital of Skreen Fabric (M) Sdn. Bhd. ("SFSB") and its subsidiary for a total cash consideration of RM7.5 million on 31 July 2017.

The following summarise the consideration paid and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	RM'000
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	11,117
Deferred tax assets	44
Inventories	3,625
Cash and cash equivalents	3,930
Trade and other receivables	14,396
Trade and other payables	(12,070)
Borrowings	(8,006)
Non-controlling interest	(5,168)
Taxation	(115)
Fair value of identifiable net assets	7,753
Gain from a bargain purchase	(253)
Consideration paid by the Group	7,500
Net cash outflow arising from acquisition of subsidiaries	
Purchase consideration settled in cash and cash equivalents	(7,500)
Cash and cash equivalents acquired	3,930
	(3,570)

Acquisition-related costs

The Group incurred acquisition-related costs of RM51,491 related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

32. SIGNIFICANT EVENT

On 2 November 2016, the Company paid the second tranche of 139,695 subscription shares in NEP Holdings (Malaysia) Berhad ("NEP") for RM30 million. On completion of the second tranche subscription, the Company holds 20% equity interest in NEP and hence NEP has became an associate of the Company during the financial year.

33. SUBSEQUENT EVENT

On 11 September 2017, one of its subsidiaries, V. S. International Group Limited issued 459,945,072 Rights Share on a basis of one Rights Share for every four existing shares held at a subscription price of HKD0.23 per Rights Share, raising a total cash proceed of approximately RM56.7 million.

34. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 July, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Total retained earnings of the Company and its subsidiaries:				
- realised	365,712	249,222	44,550	32,918
- unrealised	(14,274)	6,024	(2,122)	(2,748)
	351,438	255,246	42,428	30,170
Total share of retained earnings from associates				
- realised	(5,167)	(4,932)	--	--
	346,271	250,314	42,428	30,170
Add: Consolidation adjustments	158,268	161,210	--	--
Total retained earnings	504,539	411,524	42,428	30,170

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.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 65 to 142 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 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 2017 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 34 on page 143 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Datuk Gan Sem Yam
Director

Dato' Gan Tiong Sia
Director

Johor Bahru

9 November 2017

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Datin Gan Chu Cheng**, the Director primarily responsible for the financial management of V. S. INDUSTRY BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 65 to 143 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Datin Gan Chu Cheng, NRIC: 540913-01-5950, at Johor Bahru in the State of Johor on 9 November 2017.

Datin Gan Chu Cheng

Before me:

Haji Zamani Bin Haji Ahmad
Commissioner for Oaths
J-253

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of V. S. Industry Berhad, which comprise the statements of financial position as at 31 July 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 142.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 July 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revaluation of properties

Refer to Note 2(d) - Significant accounting policy and Note 3 - property, plant and equipment.

The key audit matter

The Group and Company revalue its land and buildings during the year. The Directors estimated the fair values of the land and buildings based on the market valuation performed by independent external valuers.

We identified this area as key audit matter because the Group's land and buildings are located in Malaysia, People's Republic of China and Indonesia, and the valuation process involves significant judgement in determining the appropriate valuation methodologies and the underlying assumptions to be applied, in particular, those unobservable inputs as disclosed in Note 3 to the financial statements.

How the matter was addressed in our audit:

Our audit procedures performed in this area included, among others:

- We have assessed the independence, objectivity and competency of the independent external valuers by discussing with the management and evaluating the profile of the independent external valuers;

- We have evaluated the appropriateness of the valuation methodologies adopted by discussing with the independent external valuers on their valuation approach and the significant judgements they made;

- We have evaluated the underlying assumptions used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors; and

- We have considered the adequacy of the Group's disclosures in the financial statements on the valuation methodologies, underlying assumptions used in the valuations and inter-relationships between the assumptions and the valuation amounts.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chan Yen Ing
Approval Number: 03174/04/2019 J
Chartered Accountant

Johor Bahru

9 November 2017

Location	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2017 RM'000	Date of Last Revaluation (R)/ Acquisition (A)
PTD 88447, Jalan Murni 12 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	12.26	462,101	Factory/office (2-storey)	Freehold (11-14 years)	70,000	31-Jul-17 (R)
PTD 86366, Jalan Murni 8 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	1.76	-	Parking lot	Freehold	3,870	31-Jul-17 (R)
PTD 105623 - PLO 39 Jalan Perindustrian 4 Kawasan Perindustrian Senai II 81400 Senai Johor Darul Takzim	3.31	275,834	Factory/office (4-storey)	Leasehold for 60 years expiring on 03/10/2077 (25 years)	28,730	31-Jul-17 (R)
PTD 105624 - PLO 46 Jalan Perindustrian 1 Kawasan Perindustrian Senai II 81400 Senai Johor Darul Takzim	1.55	54,807	Warehouse (2-storey)	Leasehold for 60 years expiring on 03/10/2077 (24 years)	7,330	31-Jul-17 (R)
PTD 105625 - PLO 129 Jalan Cyber 5 Kawasan Perindustrian Senai III 81400 Senai Johor Darul Takzim	1.00	27,226	Factory/office (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 03/10/2077 (20 years)	4,100	31-Jul-17 (R)
PTD 104700 - PLO 116 & PLO 174 Jalan Cyber 5 Kawasan Perindustrian Senai III 81400 Senai Johor Darul Takzim	1.50	52,342	Warehouse (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 28/02/2077 (20 years)	6,460	31-Jul-17 (R)
PTD 102902 Jalan Murni 8 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	8.19	-	Construction in progress	Freehold	12,480	31-Jul-17 (R)
Lot 214 Jalan Seelong-Senai 81400 Senai Johor Darul Takzim	6.30	227,099	Factory/office (2-storey)	Freehold (7 years)	33,810	31-Jul-17 (R)
PTD 105622 - PLO 47 Jalan Perindustrian 1 Kawasan Perindustrian Senai II 81400 Senai Johor Darul Takzim	3.30	185,039	Factory/office (5-storey)	Leasehold for 60 years expiring on 03/10/2077 (21 years)	23,010	31-Jul-17 (R)

LIST OF PROPERTIES
(cont'd)

Location	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2017 RM'000	Date of Last Revaluation (R)/ Acquisition (A)
PTD 105626 - PLO 7 Jalan Perindustrian Kawasan Perindustrian Senai I 81400 Senai Johor Darul Takzim	1.19	55,640	Factory/office (2-storey)	Leasehold for 60 years expiring on 03/10/2077 (30 years)	6,850	31-Jul-17 (R)
Lot 72061- PLO 121 Jalan Cyber 5 Kawasan Perindustrian Senai III 81400 Senai Johor Darul Takzim	1.00	27,900	Vacant (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 15/06/2064 (17 years)	3,700	31-Jul-17 (R)
PTB 11133 72, 72A-B, Jalan Padi 1 Bandar Baru Uda 81200 Tampoi, Johor Bahru Johor Darul Takzim	0.04	5,280	Rented out (3-storey shop office)	Freehold (25 years)	1,200	31-Jul-17 (R)
PTD 42659 & 42660 Jalan Cyber 8 Kawasan Perindustrian Senai III 81400 Senai Johor Darul Takzim	2.28	93,371	Three (3) blocks of 5-storey hostel	Leasehold for 99 years expiring on 07/09/2094 (6-21 years)	6,585	31-Jul-17 (R)
PTD 94882 Jalan Perindustrian 1 Kawasan Perindustrian Senai II 81400 Senai Johor Darul Takzim	1.48	122,040	One (1) block of 5-storey hostel	Leasehold for 60 years expiring on 09/12/2050 (1 year)	13,587	31-Jul-17 (R)
No 652, Taman Perindustrian Senai Jalan Seelong 81400 Senai Johor Darul Takzim	0.58	8,016	Factory/office (1 1/2-storey)	Freehold (2 years)	2,355	31-Jul-17 (A)
668, Jalan Idaman 3/4, Taman Perindustrian Senai 81400 Senai Johor Darul Takzim	0.67	8,888	Factory/office (1 1/2-storey)	Freehold (4 years)	2,300	31-Jul-17 (A)
No 3, Jalan Jurunalisis Satu U1/35A Seksyen U1 Hicom Glenmarie Industrial Park 40150 Shah Alam Selangor Darul Ehsan	0.09	6,600	Factory/office (2-storey)	Freehold	2,130	31-Jul-17 (A)

Location	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2017 RM'000	Date of Last Revaluation (R)/ Acquisition (A)
2 Venture Drive #13-08 Vision Exchange Singapore 608526	-	1,388	Vacant	Leasehold for 99 years expiring on 09/06/2111	9,814	4-Oct-16 (A)
Jl. Jababeka IV E Blok V 78K Kawasan Industri Jababeka Cikarang Pasirgombong Lemahabang Bekasi 17550 Indonesia	0.72	40,106	Vacant (2-storey)	Leasehold for 30 years expiring on 24/09/2023 (15 years)	2,749	31-Jul-17 (R)
Jl. Cendana Raya Blok F.10 No. 06B Kawasan Industri Delta Silicon III Lippo Cikarang Bekasi 17550 Indonesia	6.28	247,754	Factory/ office (2-storey)	Leasehold for 30 years expiring on 30/11/2032 (3 years)	39,291	31-Jul-17 (R)
Beisha Village Tangjia Wan Town Xiangzhou District Zhuhai Guangdong Province The People's Republic of China	78.21	1,499,771	Factory/ office/ warehouse	Leasehold for 50 years expiring on 20/02/2051 (16 years)	235,047	31-Jul-17 (R)
Qianwangang Road South Haier International Industrial Park Qingdao Economic and Technology Development Zone Huangdao District Qingdao Shandong Province The People's Republic of China	7.57	222,148	Factory/ office	Leasehold for 50 years expiring on 09/01/2052 (15 years)	38,812	31-Jul-17 (R)
Hetao Export Processing Zone Qingdao City Chengyang District Qingdao Shandong Province The People's Republic of China	6.00	194,179	Factory/ office	Leasehold for 50 years expiring on 30/12/2056 (11 years)	20,609	31-Jul-17 (R)

ANALYSIS OF SHAREHOLDINGS
AS AT 31 OCTOBER 2017

Issued Shares	:	RM423,111,480
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
No. of Shareholders	:	7,753

DISTRIBUTION OF SHAREHOLDINGS

Range of Shares	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
1 – 99	166	2.14	5,555	0.00
100 – 1,000	1,172	15.12	756,561	0.06
1,001 – 10,000	3,627	46.78	18,068,286	1.46
10,001 – 100,000	2,150	27.73	65,952,646	5.33
100,001 – 61,845,483*	638	8.23	1,152,126,643	93.15
Total	7,753	100.00	1,236,909,691	100.00

* *less than 5% of issued shares*

THIRTY LARGEST SHAREHOLDERS
As at 31 October 2017

No.	Name of Shareholders	Shares Held	Percentage (%)
1.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	53,647,000	4.34
2.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	47,289,250	3.82
3.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING (MBB HK-240577)	42,426,140	3.43
4.	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BNP PARIBAS SINGAPORE BRANCH (LOCAL)	32,638,440	2.64
5.	BEH KIM LING	30,984,655	2.51
6.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GAN CHU CHENG (PB)	30,050,700	2.43
7.	GAN SEM YAM	29,204,250	2.36
8.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GAN TONG CHUAN (PB)	26,207,880	2.12
9.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GAN CHU CHENG (PB)	26,000,000	2.10
10.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	25,446,400	2.06
11.	GAN TIONG SIA	23,398,430	1.89
12.	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR GAN CHU CHENG (PB-SGDIV)	23,320,000	1.89
13.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	22,704,600	1.84

THIRTY LARGEST SHAREHOLDERS (CONT'D)
As at 31 October 2017

No.	Name of Shareholders	Shares Held	Percentage (%)
14.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	21,950,000	1.77
15.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR BEH HWEE LEE (PB)	17,578,615	1.42
16.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR BEH HWEE SZE (PB)	15,968,305	1.29
17.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 2)	13,362,400	1.08
18.	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	12,752,200	1.03
19.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	12,038,200	0.97
20.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR BEH CHERN WEI (MA CHENGWEI) (PBCL-0G0518)	11,200,000	0.91
21.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 15)	11,120,000	0.90
22.	CHIN CHIN SEONG	10,611,700	0.86
23.	GAN SWU KIM	10,500,000	0.85
24.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR ACADIAN EMERGING MARKETS SMALL CAP EQUITY FUND, LLC	10,031,700	0.81
25.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN SEM YAM	10,000,000	0.81
26.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	9,949,200	0.80
27.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	9,929,200	0.80
28.	GAN CHU CHENG	9,850,000	0.80
29	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	9,600,000	0.77
30.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P)	8,889,900	0.72
	Total	618,649,165	50.02

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 31 OCTOBER 2017

No.	Name of Substantial Shareholders	Interests in Shares Direct	Interests in Shares Deemed	Note	Percentage (%)
1.	Datuk Beh Kim Ling	104,960,795	146,817,620	(a)	20.36
2.	Datin Gan Chu Cheng	97,070,700	154,707,715	(b)	20.36
3.	Datuk Gan Sem Yam	71,842,690	11,066,250	(c)	6.70
4.	Datin Ling Sok Mooi	-	82,908,940	(d)	6.70

DIRECTORS' INTERESTS IN SHARES AS AT 31 OCTOBER 2017

	Name of Directors	Interests in Shares Direct	Interests in Shares Deemed	Note	Percentage (%)
A.	**In the Company**				
	Datuk Beh Kim Ling	104,960,795	146,817,620	(a)	20.36
	Datin Gan Chu Cheng	97,070,700	154,707,715	(b)	20.36
	Datuk Gan Sem Yam	71,842,690	11,066,250	(c)	6.70
	Dato' Gan Tiong Sia	23,398,430	-		1.89
	Ng Yong Kang	950,000	-		0.08
	Tan Sri Mohd Nadzmi Bin Mohd Salleh	850,000	-		0.07
	Pan Swee Keat	150,000	-		0.01
	Tang Sim Cheow	-	-		-
	Chong Chin Siong *(Alternate Director to Datin Gan Chu Cheng)*	300,000	235,000	(e)	0.04
B.	**In Related Corporations**				
	(i) V.S. Ashin Technology Sdn. Bhd.				
	Datuk Beh Kim Ling	-	5,880,000	(f) & (j)	84.00
	Datin Gan Chu Cheng	672,000	5,208,000	(f)	84.00
	Datuk Gan Sem Yam	746,667	-		10.67
	(ii) VS Marketing & Engineering Pte. Ltd.				
	Datuk Beh Kim Ling	-	1,224,000	(f)	51.00
	Datin Gan Chu Cheng	-	1,224,000	(f)	51.00
	Datuk Gan Sem Yam	-	816,000	(g)	34.00
	Dato' Gan Tiong Sia	-	120,000	(h)	5.00
	(iii) Serumi International Private Limited				
	Datuk Beh Kim Ling	-	1,933,400	(f)	96.67
	Datin Gan Chu Cheng	-	1,933,400	(f)	96.67
	Datuk Gan Sem Yam	-	1,933,400	(g)	96.67

DIRECTORS' INTERESTS IN SHARES AS AT 31 OCTOBER 2017 (CONT'D)

	Name of Directors	Interests in Shares Direct	Deemed	Note	Percentage (%)
B.	**In Related Corporations**				
(iv)	**V.S. International Group Limited (Ordinary shares of HKD0.05 each)**				
	Datuk Beh Kim Ling	148,452,532	1,088,840,843	(f) & (j)	53.62
	Datin Gan Chu Cheng	30,335,880	1,206,957,495	(f) & (k)	53.62
	Datuk Gan Sem Yam	44,671,395	31,571,275	(i)	3.30
	Dato' Gan Tiong Sia	17,215,074	16,300,000	(h)	1.45
	Tang Sim Cheow	639,130	-		0.03
(v)	**V.S. Corporation (Hong Kong) Co., Limited (Non-voting deferred shares of HKD1.00 each)**				
	Datuk Beh Kim Ling	3,750,000	3,750,000	(j)	10.00
	Datin Gan Chu Cheng	3,750,000	3,750,000	(k)	10.00
	Datuk Gan Sem Yam	3,750,000	-		5.00
	Dato' Gan Tiong Sia	3,750,000	-		5.00
(vi)	**V.S. Investment Holdings Limited (Ordinary shares of HKD1.00 each)**				
	Datuk Beh Kim Ling	5	5	(j)	*
	Datin Gan Chu Cheng	5	5	(k)	*
	Datuk Gan Sem Yam	5	-		*

Note:

(a) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng, son, Beh Chern Wei and daughters, Beh Hwee Lee and Beh Hwee Sze.
(b) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling, son, Beh Chern Wei and daughters, Beh Hwee Lee and Beh Hwee Sze.
(c) By virtue of the shareholdings of his son, Gan Pee Yong and daughter, Gan Chian Yi.
(d) By virtue of the shareholdings of her spouse, Datuk Gan Sem Yam, son, Gan Pee Yong and daughter, Gan Chian Yi.
(e) By virtue of the shareholdings of his spouse, Chai Ming Er.
(f) By virtue of his/her substantial shareholdings in V.S. Industry Berhad.
(g) By virtue of his substantial shareholdings in V.Plus Resources Pte. Ltd.
(h) By virtue of the shareholdings of his daughter, Gan Swu Juan.
(i) By virtue of the shareholdings of his daughter, Gan Chian Yi.
(j) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng.
(k) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling.

* *Negligible percentage*

ANALYSIS OF WARRANT HOLDINGS
AS AT 31 OCTOBER 2017

No. of Unexercised Warrants	:	263,874,746
Exercise Price	:	RM1.65 per Warrant
Warrant Issued Date	:	7 January 2016
Expiry Date	:	6 January 2019
No. of Warrant Holders	:	5,606

DISTRIBUTION OF WARRANT HOLDINGS

Range of Warrants	No. of Warrant Holders	Percentage (%)	No. of Warrants	Percentage (%)
1 – 99	965	17.21	45,099	0.02
100 – 1,000	784	13.99	401,894	0.15
1,001 – 10,000	2,335	41.65	10,865,834	4.12
10,001 – 100,000	1,231	21.96	42,553,522	16.13
100,001 – 13,193,736*	290	5.17	194,008,897	73.52
13,193,737 and above**	1	0.02	15,999,500	6.06
Total	5,606	100.00	263,874,746	100.00

* *less than 5% of issued warrants*
** *5% and above of issued warrants*

THIRTY LARGEST WARRANT HOLDERS
As at 31 October 2017

No.	Name of Warrant Holders	Warrants Held	Percentage (%)
1.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KWEE SOW FUN	15,999,500	6.06
2.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR OPTIMUS CAPITAL INTERNATIONAL LIMITED	12,000,000	4.55
3.	LUI CHONG HUAT	8,836,000	3.35
4.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	7,594,000	2.88
5.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR KWEE SOW FUN (MY2268)	7,560,000	2.86
6.	SIAO CHOON PING	6,910,550	2.62
7.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	6,839,600	2.59
8.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR KUMPULAN SENTIASA CEMERLANG SDN BHD (TSTAC/CLNT)	6,525,000	2.47
9.	CHOY WEE CHIAP	5,714,900	2.17
10.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SATVINDER SINGH (MARGIN)	5,660,800	2.15

THIRTY LARGEST WARRANT HOLDERS (CONT'D)
As at 31 October 2017

No.	Name of Warrant Holders	Warrants Held	Percentage (%)
11.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JEGANATHAN A/L K MURUGASU (CEB)	5,359,000	2.03
12.	JEGANATHAN A/L K MURUGASU	5,152,000	1.95
13.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHOW JIECHAN (MP0297)	4,610,000	1.75
14.	YUDISHTRA A/L M JEGANATHAN	4,500,000	1.71
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KELVIN TANG SENG BAN	3,650,000	1.38
16.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN PEE HONG (SENAI-CL)	2,988,003	1.13
17.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH CHEE MENG (MARGIN)	2,500,000	0.95
18.	TEO CHOON MENG	2,200,000	0.83
19.	REUBENDRA A/L JEGANATHAN	2,000,000	0.76
20.	AMANAHRAYA TRUSTEES BERHAD PUBLIC MUTUAL PRS GROWTH FUND	1,973,100	0.75
21.	ANUCIA A/P MUTHUCUMARU	1,854,000	0.70
22.	RHB NOMINEES (TEMPATAN) SDN BHD CAROLYN WONG TARNN YOONG	1,800,000	0.68
23.	KHAW CHEOW POH	1,658,000	0.63
24.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU CHUN SOONG (PENANG-CL)	1,650,200	0.63
25.	ANG KIAN KOK	1,540,000	0.58
26.	CHONG CHIN SIONG	1,500,000	0.57
27.	LOOI CHING YEE	1,500,000	0.57
28.	PACIFIC TRUSTEES BERHAD EXEMPT AN FOR V.S. INDUSTRY BERHAD (ESOS)	1,249,750	0.47
29.	PIARA SINGH A/L ANOKH SINGH	1,240,000	0.47
30.	RAKESH A/L JEGANATHAN	1,230,000	0.46
	Total	133,794,403	50.70

ANALYSIS OF WARRANT HOLDINGS
AS AT 31 OCTOBER 2017
(cont'd)

DIRECTORS' INTERESTS IN WARRANT AS AT 31 OCTOBER 2017

Name of Directors	Interests in Warrant Direct	Interests in Warrant Deemed	Note	Percentage (%)
In the Company				
Datuk Beh Kim Ling	-	350,175	(a)	0.13
Datin Gan Chu Cheng	175	350,000	(b)	0.13
Datuk Gan Sem Yam	62	-		0.00
Dato' Gan Tiong Sia	-	-		-
Ng Yong Kang	-	-		-
Tan Sri Mohd Nadzmi Bin Mohd Salleh	212,500	-		0.08
Pan Swee Keat	12,500	-		0.00
Tang Sim Cheow	-	-		-
Chong Chin Siong *(Alternate Director to Datin Gan Chu Cheng)*	1,500,000	50	(c)	0.57

Note:

(a) By virtue of the warrant holdings of his spouse, Datin Gan Chu Cheng and daughter, Beh Hwee Lee.
(b) By virtue of the warrant holdings of her daughter, Beh Hwee Lee.
(c) By virtue of the warrant holdings of his spouse, Chai Ming Er.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Fifth Annual General Meeting ("35th 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 Friday, 5 January 2018 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 2017 together with the Directors' and Auditors' reports thereon. **(Please refer to Note No. 1)**

2. To approve the payment of a final dividend of 1.0 sen per ordinary share for the financial year ended 31 July 2017. **RESOLUTION 1**

3. To approve the payment of Directors' fees totalling RM412,000 for the financial year ended 31 July 2017. **RESOLUTION 2**

4. To re-elect the following Directors retiring in accordance with the Company's Constitution:

(a)	Tan Sri Mohd Nadzmi Bin Mohd Salleh	- Regulation 93	**RESOLUTION 3**
(b)	Datuk Gan Sem Yam	- Regulation 93	**RESOLUTION 4**
(c)	Dato' Gan Tiong Sia	- Regulation 93	**RESOLUTION 5**

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

SPECIAL BUSINESS

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

6. **ORDINARY RESOLUTION**
Proposed Authority to Issue Shares Pursuant to Section 76 of the Companies Act 2016

"THAT, subject always to the Companies Act 2016, the Constitution of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 76 of the Companies Act 2016, 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 shares of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **RESOLUTION 7**

7. **ORDINARY RESOLUTION**
Proposed Renewal of Shareholders' Approval for Share Buy-Back

"THAT, subject to compliance with the Companies Act 2016, the Constitution 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 retained profits of the Company for the purpose of and to purchase such amount of ordinary shares ("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 shares of the Company.

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

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

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

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

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

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

8. **ORDINARY RESOLUTION**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with 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 2017, subject to the following:

(i) the RRPTs are:

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

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

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) 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 VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited ("Proposed Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited")

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 29 November 2017, subject to the following:

(i) the RRPTs are:

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

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

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

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

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) 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 2017, 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 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." **RESOLUTION 11**

11. **ORDINARY RESOLUTION**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Beeantah Pte. Ltd. ("Proposed Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd.")

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Beeantah Pte. Ltd. as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 29 November 2017, 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 Beeantah Pte. Ltd. during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd. is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd. is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) 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 Tan Sri Mohd Nadzmi Bin Mohd Salleh be retained as Independent Non-Executive Director of the Company." **RESOLUTION 13**

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

"That Mr Pan Swee Keat be retained as Independent Non-Executive Director of the Company." **RESOLUTION 14**

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

"That Mr Tang Sim Cheow be retained as Independent Non-Executive Director of the Company." **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 35th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 26 December 2017. Only a depositor whose name appears on the Record of Depositors as at 26 December 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

ANG MUI KIOW
CHIAM MEI LING
Secretaries

Johor Bahru
29 November 2017

NOTES:

1. **Audited Financial Statements**

This agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the members/shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. **Form of Proxy**

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

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

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

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

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

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

3. **Explanatory Notes on Special Business**

i. **Proposed Authority to Issue Shares Pursuant to Section 76 of the Companies Act 2016**

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

The mandate sought under Ordinary Resolution No. 7 above is a renewal of an existing mandate and there was no proceed 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. 8, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the total issued shares 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 2017 accompanying the Company's 2017 Annual Report.

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

The proposed Resolutions No. 9 to 12, if passed, will authorise the Company and/or its subsidiaries to enter into RRPTs with the respective related parties as set out in Section 2.3, Part B, the Circular to the Shareholders dated 29 November 2017. 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 2017 which was circulated together with the 2017 Annual Report.

iv. **Retention as Independent Non-Executive Directors of the Company (Resolution 13, Resolution 14 and Resolution 15)**

(a) **Tan Sri Mohd Nadzmi Bin Mohd Salleh**

Tan Sri Mohd Nadzmi Bin Mohd Salleh was appointed as an Independent Non-Executive Director of the Company on 24 October 1996 and has, therefore served for more than nine (9) years. As at the date of the notice of the 35th AGM, he has served the Company for 21 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 35th AGM, he has served the Company for 16 years. However, he has met the independence guidelines as set out in Chapter 1 of the MMLR. The Board, therefore, considers him to be independent and believes that he should be retained as Independent Non-Executive Director.

(c) **Mr Tang Sim Cheow**

Mr Tang Sim Cheow was appointed as an Independent Non-Executive Director of the Company on 1 October 2004 and has, therefore served for more than nine (9) years. As at the date of the notice of the 35th AGM, he has served the Company for 13 years. However, he has met the independence guidelines as set out in Chapter 1 of the MMLR. The Board, therefore, considers him to be independent and believes that he should be retained as Independent Non-Executive Director.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders at the Thirty Fifth Annual General Meeting, a final dividend of 1.0 sen per ordinary share for the financial year ended 31 July 2017, will be paid on 30 January 2018 to those registered in the Record of Depositors at the close of business on 12 January 2018.

A depositor shall qualify for entitlement to dividend only in respect of:

a. Shares transferred into the Depositor's Securities Account before 4 p.m. on 12 January 2018 in respect of ordinary transfers; and

b. Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representatives for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF THIRTY FIFTH ANNUAL GENERAL MEETING

Pursuant To Paragraph 8.27 (2) of The Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The Directors standing for re-election are:

(a)	Tan Sri Mohd Nadzmi Bin Mohd Salleh	- Regulation 93	**RESOLUTION 3**
(b)	Datuk Gan Sem Yam	- Regulation 93	**RESOLUTION 4**
(c)	Dato' Gan Tiong Sia	- Regulation 93	**RESOLUTION 5**

Further details of the above named Directors and their interest in the securities of the Company are set out in the Directors' Profile on page 17 to page 18 and page 154, 158 of the Annual Report respectively.

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V.S. Industry™

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

FORM OF PROXY

CDS Account No.(i) ______________________

I/We, ______________________ (NRIC No. ______________________)

of ______________________ being a

member/members of **V.S. INDUSTRY BERHAD** ("the Company") do hereby appoint ______________________

______________________ (NRIC No. ______________________) of

____

or failing him/her, ______________________ (NRIC No. ______________________) of

____

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Thirty Fifth 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 Friday, 5 January 2018 at 10.00 a.m. and at any adjournment thereof.

Please indicate clearly with an "X" where appropriate against each resolution how you wish your proxy to vote. If no specific direction to voting is given, the proxy will vote or abstain at his/her discretion.

NO.	RESOLUTIONS	FOR	AGAINST
1	Approval of a final dividend of 1.0 sen per ordinary share for the financial year ended 31 July 2017		
2	Approval of Directors' fees		
3	Re-election of retiring Director, Tan Sri Mohd Nadzmi Bin Mohd Salleh		
4	Re-election of retiring Director, Datuk Gan Sem Yam		
5	Re-election of retiring Director, Dato' Gan Tiong Sia		
6	Re-appointment of KPMG PLT as Auditors and authorise the Directors to fix their remuneration		
7	Authorise Directors to issue shares pursuant to Section 76 of the Companies Act 2016		
8	Renewal of Shareholders' Approval for Share Buy-Back		
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 VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited		
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 Beeantah Pte. Ltd.		
13	Retention of Tan Sri Mohd Nadzmi Bin Mohd Salleh as Independent Non-Executive Director		
14	Retention of Mr Pan Swee Keat as Independent Non-Executive Director		
15	Retention of Mr Tang Sim Cheow as Independent Non-Executive Director		

(i) Applicable to shares held through a nominee account

Signed this ____________ day of ______________2017/2018

____
Signature/Common Seal of Member

For appointment of 2 proxies, percentage of shareholdings **to be represented by the proxies**:-		
	No. of Shares	**Percentage**
Proxy 1		
Proxy 2		
Total		**100%**

NOTES:

i. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
ii. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
iii. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
iv. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
Where a Member or authorised nominee appoints two (2) proxies, or where an Exempt Authorised Nominee appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
v. All forms of proxy must be deposited at the Registered Office of the Company situated at Suite 7E, Level 7, Menara Ansar, 65, Jalan Trus, 80000 Johor Bahru, Johor, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
vi. Only members registered in the Record of Depositors as at 26 December 2017 shall be eligible to attend the meeting or appoint a proxy to attend, participate, speak and vote on his behalf.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 November 2017.

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP
HERE

The Company Secretary
V.S. INDUSTRY BERHAD (88160-P)

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

1st Fold Here

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

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

Tel: 607-597 3399
Fax: 607-599 4694

Website : www.vs-i.com