V.S. Industry ™

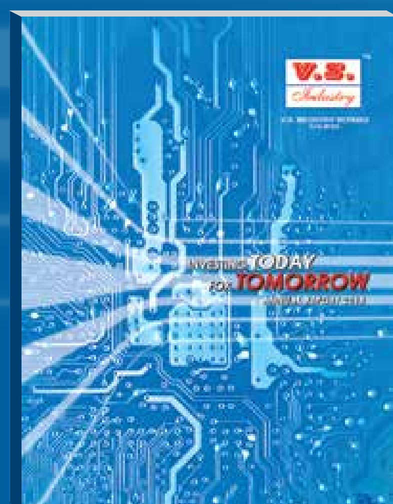
V.S. INDUSTRY BERHAD

(Co. No. 88160-P)

INVESTING TODAY FOR TOMORROW

ANNUAL REPORT 2018

COVER RATIONALE



INVESTING TODAY FOR TOMORROW

The journey of growth continues for V.S. Industry Berhad as we strive to attain excellence in delivering high quality products and services to our clientele, befitting our role as a leading vertically integrated Electronics Manufacturing Services ("EMS") provider in Malaysia.

As a corporation that is constantly challenging itself to forge ahead, V.S. Industry Berhad continues to invest in our manufacturing capabilities with additional floor space and new technologies. In line with this, the cover image of 2018 Annual Report centres on the expansion theme, whereby the curved lines symbolise our growing production lines against the "electrical circuit" backdrop that represents our identity as an EMS provider.

CONTENTS

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 11 consecutive years from 2007 to 2017.

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

Diong Tai Pew
Independent Non-Executive Director

Chong Chin Siong
Alternate Director to Datin Gan Chu Cheng

Beh Chern Wei
Alternate Director to Dato' Gan Tiong Sia

Gan Pee Yong
Alternate Director to Ng Yong Kang

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 3, CIMB Leadership Academy
No.3, Jalan Medini Utara 1
Medini Iskandar
79200 Iskandar Puteri
Johor Darul Takzim
Tel No. : 607 266 2213
Fax No. : 607 266 2214

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

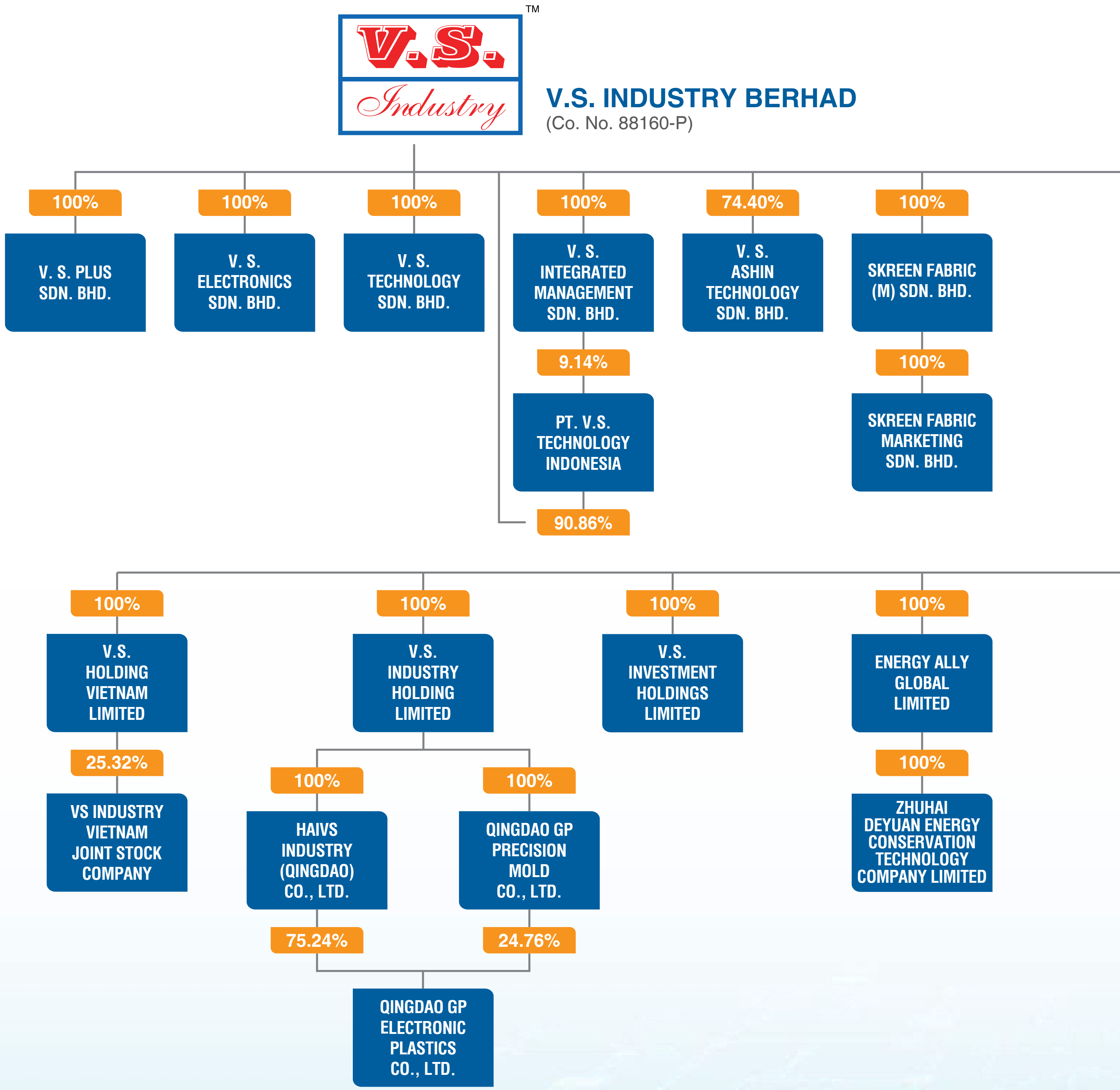
STOCK EXCHANGE LISTING

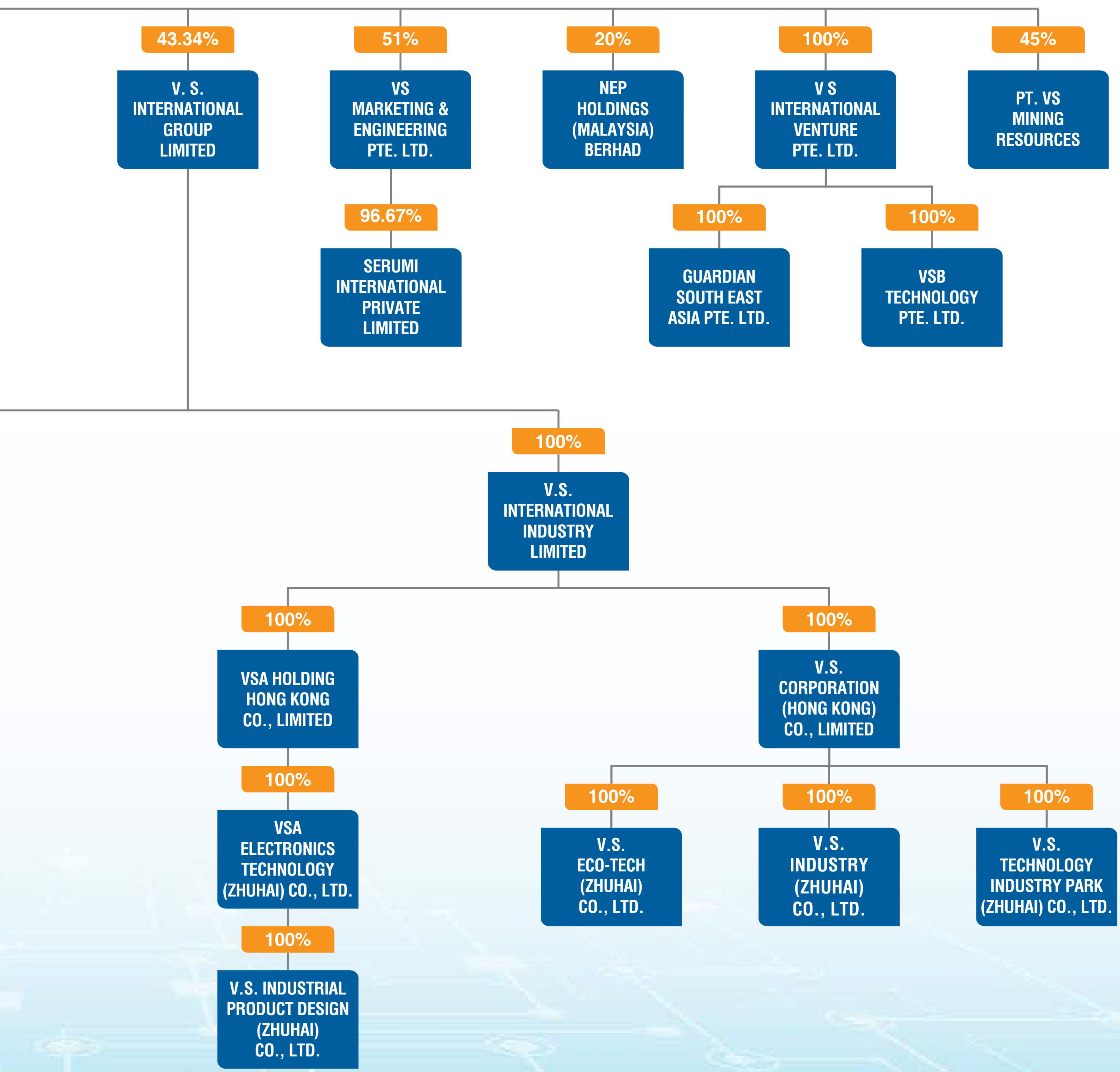
Main Market,
Bursa Malaysia Securities Berhad
Bursa Code : 6963
Reuters Code : VSID.KL
Bloomberg Code : VSI MK

ONLINE LINKS

Corporate Website:
www.vs-i.com

CORPORATE STRUCTURE





43.34%
V. S. INTERNATIONAL GROUP LIMITED
51%
VS MARKETING & ENGINEERING PTE. LTD.
20%
NEP HOLDINGS (MALAYSIA) BERHAD
100%
V S INTERNATIONAL VENTURE PTE. LTD.
45%
PT. VS MINING RESOURCES
96.67%
SERUMI INTERNATIONAL PRIVATE LIMITED
100%
GUARDIAN SOUTH EAST ASIA PTE. LTD.
100%
VSB TECHNOLOGY PTE. LTD.
100%
V.S. INTERNATIONAL INDUSTRY LIMITED
100%
VSA HOLDING HONG KONG CO., LIMITED
100%
V.S. CORPORATION (HONG KONG) CO., LIMITED
100%
VSA ELECTRONICS TECHNOLOGY (ZHUHAI) CO., LTD.
100%
V.S. INDUSTRIAL PRODUCT DESIGN (ZHUHAI) CO., LTD.
100%
V.S. ECO-TECH (ZHUHAI) CO., LTD.
100%
V.S. INDUSTRY (ZHUHAI) CO., LTD.
100%
V.S. TECHNOLOGY INDUSTRY PARK (ZHUHAI) CO., LTD.

FINANCIAL HIGHLIGHTS

RM2.80 billion
MARKET CAPITALISATION*

RM4.09 billion
RECORD FY18 REVENUE

RM150.8 million
FY18 NET PROFIT

RM217.0 million
NET OPERATING CASH FLOW

RM415.6 million
GROSS CASH HOLDINGS

0.2 times
NET GEARING (AS AT 31 JULY 2018)

12.20%
FY18 ROE

4.1sen^
FY18 TOTAL DIVIDEND DECLARED

40% of net profit
DIVIDEND POLICY

5x
PAYOUT A YEAR

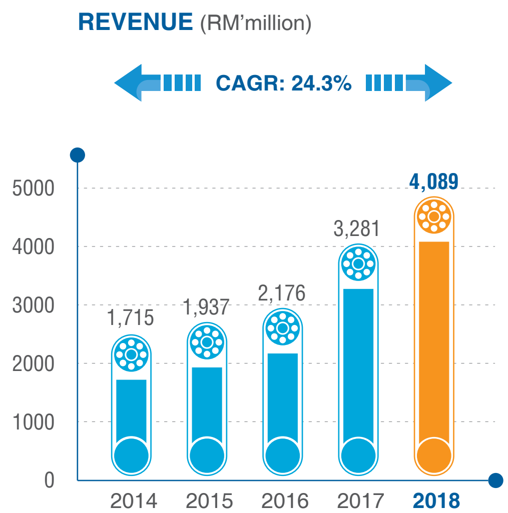
* *Based on closing share price of RM1.60 as at 31 October 2018.*
^ *adjusted for corporate exercise*

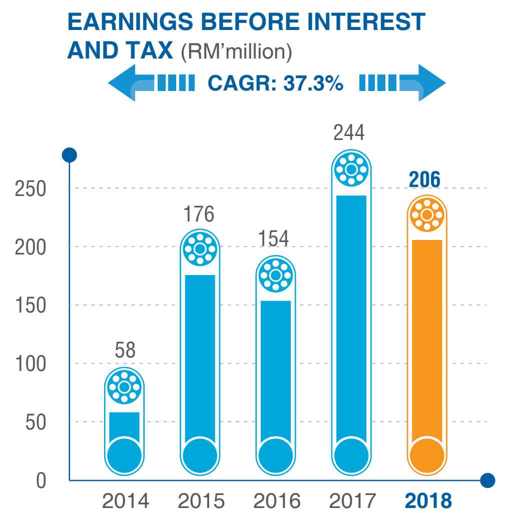
FINANCIAL SUMMARY

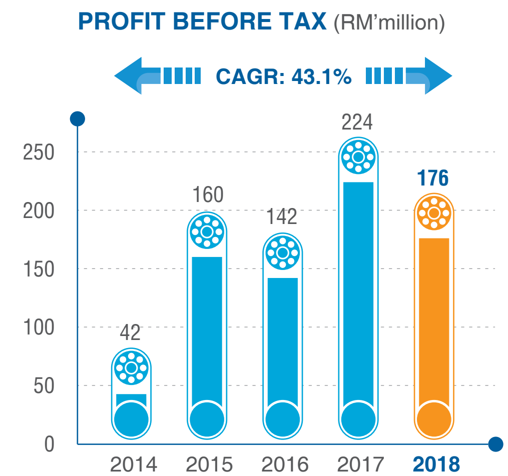
For the Financial Year Ended 31 July (RM'000)	2018	2017	2016	2015	2014
Revenue	**4,089,191**	3,281,350	2,175,626	1,936,885	1,715,082
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	**287,952**	322,047	226,384	239,218	119,548
Earnings before Interest and Tax ("EBIT")	**206,301**	243,996	154,338	176,137	57,963
Share of Results of Associates	**(6,635)**	(235)	1,620	(1,569)	(689)
Profit before Tax ("PBT")	**176,367**	223,673	141,866	159,686	41,993
Net Profit after Minority Interest	**150,766**	156,319	117,928	132,739	53,633
Total Dividends Paid	**69,172***	71,639	54,876	53,946	22,648
AS AT 31 JULY (RM'000)					
Shareholders' Funds	**1,423,184**	1,057,546	879,903	777,034	526,160
Share Capital	**603,303**	369,109	235,169	230,848	186,355
Reserves (Net of Treasury Shares at Cost)	**819,881**	688,437	644,734	546,186	339,805
Total Assets	**3,102,144**	2,894,653	1,984,443	1,855,678	1,551,689
Net Current Assets	**620,264**	401,671	336,212	321,419	121,619
Total Borrowings	**645,448**	706,881	415,043	412,208	409,791
Cash and Cash Equivalents	**415,636**	344,919	218,401	243,742	123,464
PER SHARE					
Basic Earnings per Share (sen)#	**9.3**	10.3	8.2	10.3	4.7
Total Tax-Exempt Dividend per Share (sen)#	**4.1***	4.7	3.8	3.8	1.8
Net Tangible Assets per Share (RM)#	**0.8**	0.7	0.6	0.6	0.5
RETURNS (%)					
Return on Average Shareholders' Equity (%)	**12.2**	16.1	14.2	20.4	10.7
Return on Average Total Assets (%)	**5.0**	6.4	6.1	7.8	3.6
FINANCIAL ANALYSIS					
Gross Margin (%)	**10.7**	14.0	15.5	14.8	11.5
Operating Margin (%)	**5.0**	7.4	7.1	9.1	3.4
PBT Margin (%)	**4.3**	6.8	6.5	8.2	2.4
Net Margin (%)	**3.7**	4.8	5.4	6.9	3.1
Gearing (Net of Cash) (times)	**0.2**	0.3	0.2	0.2	0.5
Interest Coverage (times)	**8.9**	12.1	11.0	11.8	3.8
Dividend Payout Ratio (%)	**45.9**	45.5	46.5	40.6	42.2

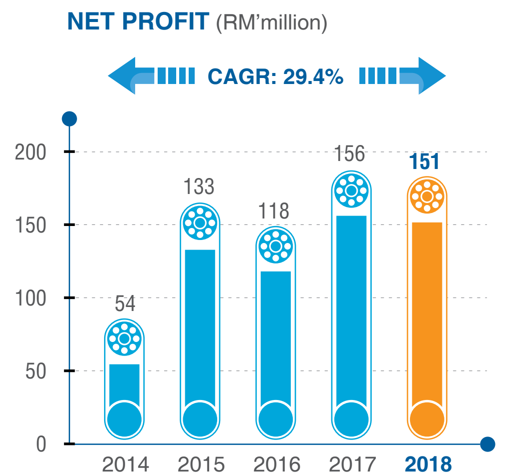
* *inclusive of proposed final single-tier dividend of 0.6 sen per share for shareholders' approval*
\# *adjusted for corporate exercises*

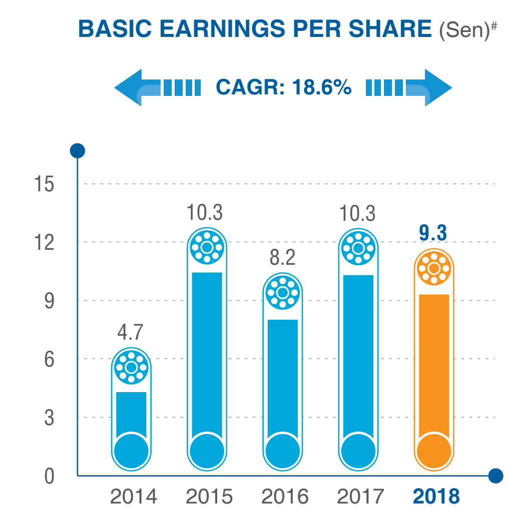
FINANCIAL HIGHLIGHTS
(cont'd)

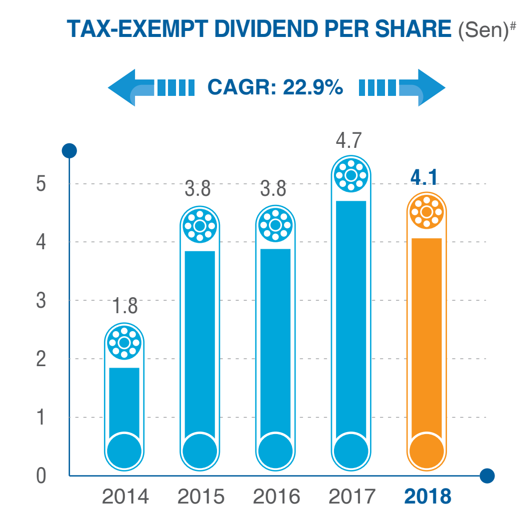












adjusted for corporate exercises

Dear valued shareholders,

The financial year ended 31 July 2018 ("FY2018") has been both an exhilarating and challenging year for V.S. Industry Berhad ("VS" or the "Group") as we continue to strive to make greater progress and grow our business.

In FY2018, we achieved yet another all-time high revenue of RM4.09 billion, having just breached the RM3 billion-mark a year ago, amidst the difficult operating landscape.

The Group has grown its revenue to reach new record level every year for the past five consecutive years. The growth was achieved through the continuous support and trust that our customers and stakeholders have bestowed upon us throughout the years.

As for profitability, the Group's profit attributable to the owners of the Group ("net profit") in FY2018 was at RM150.8 million, against RM156.3 million a year ago.

INDUSTRY AND BUSINESS OVERVIEW

The Malaysian economy grew at a robust pace with Gross Domestic Product ("GDP") recorded at 5.9% in 2017. However, the strong growth moderated in early 2018 with first and second quarters GDP growth eased to 5.4% and 4.5% respectively. According to the recent report released by the World Bank, economic activities in Malaysia are still expected to expand, albeit at a slower growth of 4.9% in 2018 and 4.7% in 2019. Growth in private consumption remains the key pillar to support the local economy. Meanwhile, the manufacturing sector continued to register positive growth in the first half of 2018 and is expected to sustain its growth momentum going forward.

Over at VS, we started the fiscal year 2018 on a strong footing with multiple new highs, both financially and operationally. In anticipation of higher demand from our multinational customers, we expanded our operations and installed new production lines. Sales orders for the first six months were indeed very robust by all accounts, leading to sharp increase in both revenue and net profit. By mid-FY2018, we registered our best first half-yearly revenue and net profit in record. In fact, Group revenue for the first half of FY2018 surpassed the full year revenue of FY2016.

As we progressed through the year, however, we encountered several challenges that were beyond our control. We were affected by rising materials prices and surge in labour costs. Due to changes in government regulations, employers are required to fully absorb the levy costs for foreign employees as compared to previously where the fees were borne by the employees.

Operationally, the Group also grappled with higher operating costs incurred from the initial testing and setup activities, as well as learning curves for the new production lines. A key hurdle we faced was in third quarter of FY2018, where our production output decreased significantly due to the planned cessation of certain product models by a US customer. As a result, our profitability was adversely affected in that quarter despite registering strong sales growth from other key customers. Fortunately, the new replacement models for the US customer have since commenced production in the fourth quarter of FY2018 and production volume is gradually ramping up.

Against this backdrop, we rebounded strongly in the fourth quarter of FY2018 underpinned by strong sales orders from the Malaysia operations. Thanks to the management and employees' sheer grit and perseverance, we managed to ride through the storm and finished strong in FY2018 with a satisfactory set of financial results.

CORPORATE DEVELOPMENTS

As always, one of our primary focuses is to reward our valued shareholders for their continuous confidence in our vision over the years. With this in mind, we announced in January 2018 a bonus issue of shares on the basis of one bonus share for every four existing ordinary shares held by the shareholders of VS. The bonus issue also coincided with our 20th anniversary of being a listed entity on Bursa Malaysia. The exercise was subsequently completed in May 2018. Upon listing the bonus shares, the enlarged share base is expected to improve the marketability and trading liquidity of VS shares on the bourse.

In terms of corporate development, we took a step forward to strengthen our vertical integration capabilities by acquiring the remaining 40%-stake in Skreen Fabric (M) Sdn Bhd ("SFSB") for a total of RM6.8 million in February 2018, having initially acquired 60%-stake in 2017. The inclusion of SFSB as a wholly-owned subsidiary allows us to have better cost-efficiency and control over our supply chain.

PROSPECTS FOR FY2019

While we remain relatively positive of our prospects ahead, we are cognizant of the tough and challenging operating landscape at the macroeconomic level. Nevertheless, we shall maximise the opportunities available by building upon our established track record in order to fortify the Group's position among the world's best EMS companies. In order to stay ahead of the dynamic changes in our operating environment, we are immensely focused on improving production efficiency and productivity, as well as keeping cost in check and incorporate more automation in our operations where economically feasible.

On our mid-term goal, we remain steadfast in the Group's strategic expansion plans, where we have increased our production floor space in Senai, Johor by 300,000 square feet in 2018. These new capacities will allow us to undertake larger projects and expand our customer portfolio.

With the start of the new fiscal year underway, we shall continue to channel our efforts towards maintaining our profitability performance and sustaining growth.

APPRECIATION

This year, we are delighted to welcome three new board members to our Board. Our newly elected board members are Mr. Beh Chern Wei as the Alternate Director to Dato' Gan Tiong Sia, Mr. Gan Pee Yong as the Alternate Director to Mr. Ng Yong Kang and Mr. Diong Tai Pew as the Independent Non-Executive Director. These gentlemen bring in valuable experience and expertise from their respective fields that will elevate our ability to meet the Group's long-term goal.

Finally, I wish to thank all our shareholders, customers, vendors, business associates, financiers, regulatory bodies and other stakeholders for your continued support and confidence in us and in the future of the Group. My appreciation also goes to my fellow members of the Board for their progressive counsel and contributions.

FY2018 has been a year of tremendous work for our management and employees as we coped with various trials and tribulations, and henceforth, I would like to take this opportunity to express my deepest gratitude for their unwavering commitment and diligence throughout these challenging times.

DATUK BEH KIM LING
Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the financial year ended 31 July 2018 ("FY2018"), VS once again beat the odds and continued to make significant progress in its expansion plans. In spite of the challenges from multiple fronts, the Group managed to accomplish several achievements throughout FY2018.

In the latest Manufacturing Marketing Insider's Top 50 Electronics Manufacturing Services ("EMS") companies in the world, VS ranks 21st, having moved up seven spots from 28th a year ago. For the eleventh consecutive year, VS has been listed as one of the top 50 EMS providers in the world since 2007.

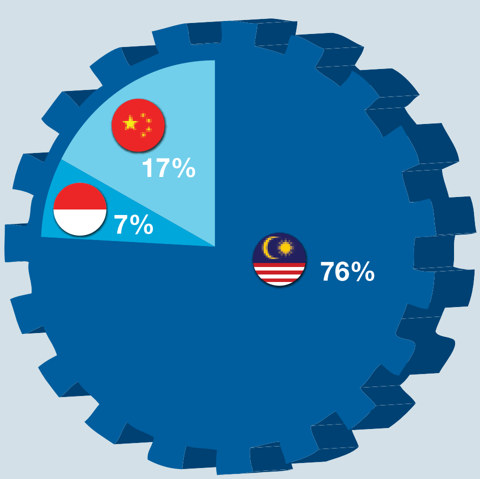
ACHIEVEMENT HIGHLIGHTS	
Achieved an all-time high revenue of RM4.09 billion.	Retained the position as the largest local EMS player in Malaysia.
Posted 5th consecutive record-breaking revenue from FY2013 to FY2018.	Ranked 5th in Manufacturing Marketing Insider's 2017 Top 50 EMS providers in ASEAN.
Net operating cash flow surged 2.8-fold to RM217.0 million from a year ago.	Ranked 21st in Manufacturing Marketing Insider's 2017 top 50 EMS in the World.

FINANCIAL PERFORMANCE REVIEW

Group revenue rose 24.7% year-on-year ("YoY") to a record high of RM4.09 billion in FY2018 from RM3.28 billion in FY2017. We are pleased to have registered yet another record high revenue, breaching the RM4 billion-mark, one year after reaching the RM3 billion-mark. The strong growth in revenue was mainly driven by the significant increase in sales orders from key customers in Malaysia.

Malaysia accounts for more than half of Group revenue

FY2018 revenue breakdown by country



Group Revenue: RM4,089 million

Malaysia	76%	RM**3,088.2 million**	▲ 35% YoY
China	17%	RM**693.0 million**	▼ 14% YoY
Indonesia	7%	RM**304.0 million**	▲ 67% YoY

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

In terms of revenue contribution by geographical segments, Malaysia remained the primary revenue contributor for VS, generating 75.5% of the Group turnover, followed by China (16.9%) and Indonesia (7.4%). Revenue from the local operations increased 34.6% YoY in FY2018 to RM3.09 billion on the back of higher production output. Turnover from operations in Indonesia rose too, registering 66.8% YoY growth to RM304.0 million. It is noteworthy to mention that the revenue increase in Indonesia was mainly due to change in billing practice from consignment basis to turnkey manufacturing for an existing customer.

The domestic market contributed the bulk of the Group Profit Before Tax ("PBT") at RM196.8 million, as compared to RM204.0 million a year ago. Despite recording strong growth in revenue, the Malaysia operations' profitability was affected by several factors, including initial setup and testing costs incurred for the new production lines, as well as increase in materials prices and labour costs. In particular, PBT in the third quarter was unfavourably affected by the significant reduction in contribution from a US customer due to planned production cessation for certain models. The good news is that the production of new models to replace the dated models for the US customer has subsequently commenced in the fourth quarter of FY2018.

Meanwhile, we are pleased to share that operations in Indonesia registered a turnaround with PBT of RM3.2 million in FY2018 against LBT of RM5.1 million a year ago, mainly due to the absence of revaluation deficit on factory building of RM11.7 million which was recognized in preceding year.

As for China, the operations posted LBT of RM19.1 million largely owing to a one-off loss RM16.9 million arising from the disposal of a subsidiary in Qingdao. Additionally, our China operations were faced with profit margin pressures from higher raw materials and labour costs as well as difficulty to pass on increased costs to customers, given the competitive operating environment.

Consequently, overall PBT and Profit After Tax And Non-Controlling Interest ("Net profit" or "PATNCI") recorded a softer performance of RM176.4 million and RM150.8 million respectively in FY2018 as compared to RM223.7 million and RM156.3 million in FY2017. Considering the various challenges we faced during the year, we believe our FY2018 financial performance was respectable and satisfactory.

CAPITAL STRUCTURE AND RESOURCES

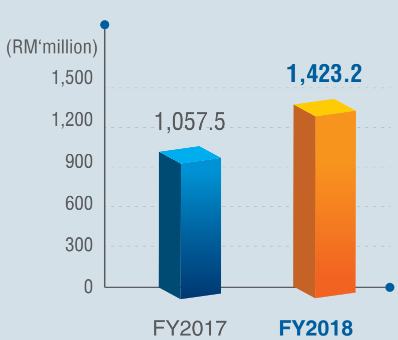
The equity attributable to owners of the company was 34.6% higher y-o-y at RM1.42 billion in FY2018, mainly attributed to higher retained profits and share capital arising from equity settled share-based transactions.

Total assets of VS had risen to RM3.10 billion in FY2018 as compared to RM2.89 billion in FY2017, largely due to the addition of new facilities and higher cash holdings of RM415.6 million.

The Group incurred capital expenditures ("CAPEX") amounting to RM216.9 million against RM166.9 million spent last year. CAPEX invested in FY2018 included the purchase of a new factory and a hostel building for workers, the construction of a new factory cum a an automated warehouse. Aside from that, the CAPEX level was within the normal range of the Group's annual investment on machineries and R&D activities. These investments were funded through a combination of internally generated funds and bank borrowings.

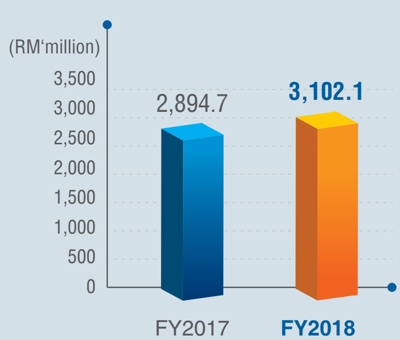
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

RM1,423.2 million



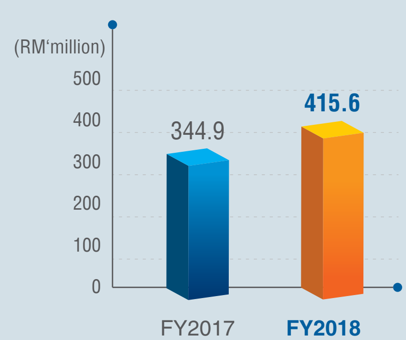
TOTAL ASSETS

RM3,102.1 million



CASH AND CASH EQUIVALENTS

RM415.6 million



The total bank borrowings stood at RM645.5 million, of which approximately 85.5% comprised of short-term funding instruments. The Group's net gearing ratio remained stable at 0.2x. Net assets was higher at RM1.42 billion in FY2018 as compared to RM1.06 billion in FY2017.

In FY2018, VS generated a strong net cash flow from operating activities ("NOCF"). The NOCF generated jumped 2.8-fold from RM76.9 million in FY2017 to RM217.0 million in FY2018.

BUSINESS AND OPERATIONAL REVIEW

We continued to experience strong growth in overall sales orders from our major customers in FY2018. In order to meet the surge in demand, we worked diligently to optimize our resources in terms of human capital, raw materials, machineries and equipment as well as production space.

During the first half of the financial year under review, we added several new production lines to cater for the robust increase in orders from our customers. On the flip side, as the escalation in production output was considerably substantial within a relatively short timeframe, the Group was confronted with various initial teething issues associated with efficiency and learning curves. Fortunately, our hands-on management team is skilled and experienced, and we successfully overcame the operational hiccups, while ensuring timelines are met and product quality is upheld in accordance to our customers' expectations.

On a specific note, our coffee brewer business also experienced a slowdown in production in the third quarter of FY2018. The production output reduced substantially during this particular quarter as a result of planned production cessation for certain dated product models. On a positive note, the production of new replacement models have since commenced in the fourth quarter of FY2018 and is progressively ramping up in volume.

On production capacity growth, we added an additional combined 300,000 square feet of production space in Senai, Johor, which would cater to our future growth.

We acquired a factory with a built-up of 120,000 square feet and we expect to commence operations with one production line by November 2018. Meanwhile, we shared previously that we were also constructing a new factory measuring approximately 180,000 square feet, and we expect the construction of the new factory to be completed by December 2018. This new factory is located adjacent to our new automated warehouse. With these milestones, we now have more than 3 million square feet production cum warehouse space within the Group.

Another key development in VS was the acquisition of the remaining 40%-stake in Skreen Fabric (M) Sdn Bhd ("SFSB") for a total of RM6.8 million in cash earlier this year. Combined with the 60%-stake acquired in 2017, SFSB has since become a wholly-owned subsidiary of the Group. This acquisition is in line with VS' focus on strengthening the Group's vertical integration capabilities. We believe the inclusion of SFSB as a wholly-owned subsidiary will generate further synergies and enhance production efficiencies, as well as mitigate the risk of supply shortage.

To recap, SFSB and its subsidiary is principally involved in the manufacture and supply high-quality screen mesh, industrial filter fabrics and non-woven fabrics as well as precision filters.

Over in China, the Group faced several setbacks from the challenging local operating environment in FY2018. These included the increase in material prices, labour costs, stiff competition and lower sales orders from customers, which resulted in lower revenue and utilisation rate. As part of the Group's effort to streamline our operations and improve performance in China, we have disposed of a subsidiary in Qingdao. We continue to channel our efforts in business development activities to secure new sales orders while keeping cost in check.

In Indonesia, our operations have largely remained similar during the year under review where we undertake printed circuit board assembly ("PCBA") and sub-assembly jobs.

Elsewhere, the Australia-based but London-listed Seeing Machines Limited ("SML"), in which VS is the single largest shareholder at 11.2%-stake, made good progress with its driver monitoring system ("DMS"). SML secured production awards from two premium German original equipment manufacturers ("OEMs") and one US-based global OEM to deliver DMS for vehicles to be launched between 2019 and 2022. SML's DMS for fleet, Guardian, has also expanded its network to connect to more than 10,000 vehicles across 20 countries.

OUTLOOK AND PROSPECTS

Over the years, the Group has been making great strides both financially and operationally amidst the challenging global and local economic landscapes. Growing alongside our major customers, our Group revenue recorded 5-year Compounded Annual Growth Rate ("CAGR") of 24% from FY2013 to FY2018.

We are certainly not resting on our laurels; the Group aims to further elevate our technical capabilities and continually pursue strategic investments to sustain the growth momentum.

With the latest capacity expansion, we hope to capture more orders from our major customers. At the same time, we are also in active discussions with several prospective customers.

As we enter the new fiscal year, the Group's primary focus is on executing the planned initiatives and unlocking potentials of the investments we made in FY2018. Looking beyond that, we remain committed to further enhancing innovation and extending our vertical integration capabilities while delivering the best value to our customers, employees and shareholders and other stakeholders.

ANTICIPATED OR KNOWN RISKS

Currency risks

As an export-based manufacturer, VS is exposed to risks associated with foreign exchange, especially the USD/RM rate. To minimize the risk exposure, the Group uses forward exchange contracts from time to time to hedge its foreign currencies. The Group also benefits from some natural hedge in its operation as part of its purchases are denominated in USD. Although the Group also has transactions in other currencies such as Euro, Singapore Dollar, Japanese Yen and Hong Kong Dollar, the exposure is minimal.

Changes in regulations and policies

The Group is currently operating in three different countries, namely Malaysia, Indonesia and China. Hence, it is inevitable that changes in each of these countries' 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, export restrictions and tariffs, to name just a few.

In light of this, we constantly engage with authorities and relevant business associations to provide our feedback and to gain insights into prospective regulations and policies changes in order to be better prepared for any potential changes.

Geopolitical risks

Geopolitical tensions and conflicts in countries where the Group has operations in are another major risk to the Group's performance. Any escalation of conflicts in the Group's operating countries could potentially impact consumer sentiments and sales demand.

In this regard, the Group's operations in China have been facing challenges arising from the trade war between the US and China, where several rounds of tariffs have been imposed on various imported products from China with the latest tariff on USD200 billion worth of Chinese goods taking effect on 24 September 2018 at 10%, and it may increase to 25% on 1 January 2019.

It is difficult to assess the full impact of the conflict on the Group's future performance at this juncture. For FY2018, revenue from the US accounted for approximately 14.0% of turnover from our operations in China, (or about 2.4% of Group revenue). We do expect revenue contribution from the US to decline in our operations in China next year due to the trade war.

As mitigation efforts, the Group has been streamlining operations in China and formulating a stronger financial position with asset-light operations, lower geared capital structure, higher liquidity and better return on assets to fortify its market position in China over the long term. With this strategy in China, the Group endeavours it should be able to improve operational flexibility and reduce debts.

DIVIDEND

The Board is proposing a final dividend of 0.6 sen per ordinary share for the financial year ended 31 July 2018, subject to the shareholders' approval at the forthcoming AGM.

For the year under review, the Board had earlier declared four interim dividends totalling 3.5 sen per ordinary share. Note that the 3.5 sen are derived after adjusting the first and second interim dividends for 1-for-4 bonus issue effective 14 May 2018. Together with the final dividend, total dividends for FY2018 would be 4.1 sen per ordinary share.

This represents a dividend payout of 45.9% for FY2018, which is above our dividend policy of distributing at least 40% of net profit.

Datuk Beh Kim Ling
Executive Chairman
Age 60, 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 32 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 62, 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 32 to the financial statements. He has not been convicted of any offences within the past five (5) years.

Datin Gan Chu Cheng
Executive Director
Age 64, 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 32 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 58, 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 32 to the financial statements. He has not been convicted of any offences within the past five (5) years.

Ng Yong Kang
Executive Director
Age 57, 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.

Mr. Ng also sits on the board of 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.

Tan Sri Mohd Nadzmi Bin Mohd Salleh
Senior Independent Non-Executive Director
Age 64, Male, Malaysian

Tan Sri Mohd Nadzmi Bin 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 Nadicop Holdings Sdn. Bhd. He 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.

Pan Swee Keat
Independent Non-Executive Director
Age 55, 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 specializes in audit and accounting, after his accounting firm, PSK & Co, merged with Cheng & Co in July 2012. He completed his Association of Chartered Certified Accountants ("ACCA") programme at Emile Woolf College, London, and became an associate member of Chartered Association of Certified Accountants (UK) in 1992. He is a fellow member of ACCA.

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

Tang Sim Cheow
Independent Non-Executive Director
Age 59, 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.

Diong Tai Pew
Independent Non-Executive Director
Age 67, Male, Malaysian

Diong Tai Pew joined the Board on 2 April 2018. He graduated from Tunku Abdul Rahman College, Malaysia, with a Diploma in Commerce in 1976.

Mr. Diong is a fellow member of the Institute of Singapore Chartered Accountants, a member of the Malaysian Institute of Accountants and a fellow member of the Chartered Tax Institute of Malaysia. He brings to the Board more than 30 years of experience in Finance and Accounting including audit and investigation, taxation, merger and acquisitions as well as business development. Mr. Diong is currently practicing as a public accountant and an approved company auditor in Singapore.

Mr. Diong currently sits on the Board of V.S. International Group Limited (a subsidiary of the Group listed in Hong Kong), SIG Gases Berhad and Hengyang Petrochemical Logistics Limited (a public listed company in Singapore). He does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

Chong Chin Siong
Alternate Director to Datin Gan Chu Cheng
Age 51, Male, Malaysian

Chong Chin Siong was appointed to the Board on 1 August 2014.

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

He has extensive experience in internal audit, corporate finance and financial management, 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.

Beh Chern Wei
Alternate Director to Dato' Gan Tiong Sia
Age 33, Male, Malaysian

Beh Chern Wei was appointed to the Board on 2 April 2018. He obtained his Executive Master of Business Administration from Columbia Business School, London Business School and Hong Kong University in 2018 and Bachelor of Science in Industrial Engineering Degree from the State University of New York at Buffalo, USA in 2006.

In 2007, he served at the Group's business development division for a year, and later joined V.S. International Group Limited ("VSIG"), a subsidiary of the Group listed in Hong Kong. At VSIG's production facility in Qingdao, the People's Republic of China, he assumed the role of Project Manager and Business System Manager, where he was involved in various capacities relating to management enterprise resource planning, business development, sales and marketing, supply chain management, operational management and project and product development for a year prior joining the operations in Zhuhai. Presently, he serves as the Head of Information Supply and Supply Chain Management at VSIG.

He currently sits on the board of VSIG. Mr. Beh is the son of Datuk Beh Kim Ling and Datin Gan Chu Cheng, and the nephew of Datuk Gan Sem Yam and Dato' Gan Tiong Sia. Mr. Beh has no conflict of interest with the Group except for those transactions as disclosed in Note 32 to the financial statement entered into by the connected persons. He has not been convicted of any offences within the past five (5) years.

Gan Pee Yong
Alternate Director to Ng Yong Kang
Age 33, Male, Malaysian

Gan Pee Yong was appointed to the Board on 2 April 2018. He holds a Bachelor (Hons) in Electronic System Engineering Degree from the University of Manchester, United Kingdom in 2008. He then furthered his studies and obtained a Master's in International Business from the Grenoble Graduate School of Business, United Kingdom in 2012.

Upon completing his studies, Mr. Gan joined the Group as Program Manager, before assuming his current position as Senior Program Manager. He played an active role in business development activities at the Group. He was also instrumental in formulating and managing various strategic cross-project initiatives to ensure successful outcome for the Group.

Mr. Gan also sits on the board of various subsidiary companies of the Company. He is the son of Datuk Gan Sem Yam and also the nephew of Datuk Beh Kim Ling, Datin Gan Chu Cheng and Dato' Gan Tiong Sia. Mr. Gan has no conflict of interest with the Group except for those transactions as disclosed in Note 32 to the financial statement entered into by the connected persons. 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 53, 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 67, 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 50, 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.

SUSTAINABILITY STATEMENT

V.S. Industry Berhad recognises the businesses play a vital role to bring about impactful sustainable change. Our Sustainability Statement (the "Statement") communicates our initiatives in addressing sustainability related matters to our shareholders and stakeholders. This Statement aims to narrow the reporting gaps identified in prior year's report, and is designed and narrated to better reflect the business sustainability efforts we have put in place.

The Statement will cover the business operations of V.S. Industry Berhad ("VSI") and two of its Malaysian subsidiaries – V.S. Electronics Sdn Bhd ("VSE") and V.S. Plus Sdn Bhd ("VSP"), collectively referred to as "VS Industry", the "Company" or the "Group". The above mentioned entities conduct business activities related to manufacturing, assembly and sale of plastic mould components and parts, and the Group's electrical products business segment. Collectively, these entities contribute more than 70% of the Group's total revenue. This Statement will report on sustainability related initiatives and activities between the period 1 August 2017 to 31 July 2018, unless otherwise stated.

This Statement was prepared in accordance with the Main Market Listing Requirements ("Listing Requirements") and guided by the Sustainability Reporting Guide and Toolkits issued by Bursa Malaysia Securities Berhad. An independent sustainability advisory consultant was engaged to assist VS Industry in preparing and enhancing our Statement.

SUSTAINABILITY WITHIN THE BUSINESS

VS Industry is guided by the Group's 5 Sustainability Pillars - Environment, Welfare of the Employees, Community, Marketplace and Supplier, which is integrated into the Group's strategy. Through this, we are able to incorporate good sustainability practices and initiatives into our day-to-day business operations and contribute to the betterment of the society and environment, without compromising the Group's ability to carry out its business.

Guided by our Sustainability Pillars, we strive to lead with sustainability-led innovations, maintaining an integrated and resilient workforce, and at the same time operate without forgoing our community and eco-friendly consciousness. These are achieved by developing and enhancing our processes and technology to be more sustainable, effective and efficient. This drives our movement towards becoming a sustainability-led innovator.

We also believe that the success of a business is partly owed to our workforce, and therefore we ensure that an integrated and resilient workforce is maintained at all times. This includes the maintenance of a safe and healthy working environment which is able to foster fair treatment and talent development.

Additionally, we constantly remind ourselves about community and eco-friendly consciousness when carrying out our business as usual. This establishes a culture within the business to operate in an environmentally sustainable manner.

As we strive to strengthen our business strategies and operations by embedding Economic, Environmental and Social ("EES") related considerations, we also took into consideration the United Nations Sustainable Development Goals ("SDGs") and the Eleventh Malaysia Plan ("11MP") Strategic Thrusts. The Value Creation Model below shows how our business creates value through realising the SDGs and 11MP.

SUSTAINABILITY STATEMENT
(cont'd)

Diagram 1: Value Creation Model

At VS Industry, we have implemented a "Sustainability Policy" which assists VS Industry in being able to meet the business needs as well as our stakeholders' expectations. Our "Sustainability Policy" covers areas of:

- Our suppliers' compliance to highest ethical standards;
- Compliance to regulations with regards to the environment and Occupational Safety and Health;
- Practicing "Green" procurement and manufacturing;
- Reducing material consumption through the practice of recycling of all waste materials;
- Responsible waste management and disposal;
- Maintaining a safe and healthy working environment at all times;
- Fair treatment of employees;
- Contributing to local authorities and communities;
- Upholding business excellence and continuity;
- Continual Research & Development efforts to achieve product innovations;
- Development of long-term partnerships with clients; and
- Compliance to better practices under the Malaysian Code of Corporate Governance.

Our "Sustainability Policy" enables the Group to recognise the needs and expectations of our Sustainability Pillars, thereby allowing the Group to achieve a holistic approach in addressing sustainability.

SUSTAINABILITY GOVERNANCE STRUCTURE

The monitoring of sustainability related initiatives and performance is managed by the Sustainability Working Group ("SWG") which was established in 2017. As briefly highlighted above, our approach towards sustainability is supported by our Sustainability Pillars. The SWG was established with sustainability advocates and representatives from various functions within the Group, namely Finance, Risk, Human Resources, Supply Chain, and Marketing and Operations who are most familiar with our Sustainability Pillars, and is chaired by the Group's Financial Controller.

The SWG reports to Senior Management Team, who is chaired by the Group's Managing Director ("MD"). The MD oversees the implementation of sustainability related strategies set by the Board of Directors ("Board"), where the Board is the ultimate decision maker for the implementation of such strategies. Since its establishment, the SWG has been providing updates to the MD and the Board on VS Industry's sustainability performance, and will continue doing so in the coming years. Please refer to Diagram 2 for an illustration of our sustainability governance structure.

Diagram 2: Sustainability Governance Structure

Board of Directors (the "Board")

- The Board is ultimately accountable for the oversight of management of sustainability matters and responsible for setting sustainability-related strategies into the Group's business operations.

Senior Management ("SM")

- Chaired by the Managing Director ("MD") and supported by various members of Senior Management Team.
- The SM is resposible for overseeing the implementation of sustainability strategies based on the direction set by the Board. A designed member of the Board of Directors undertakes the role of advising the SM in delivering these responsibilities.

Sustainability Working Group ("SWG")

- Chaired by the Group Financial Controller and supported by the Head of Department/sustainability champions from various functions within VSI.
- SWG is responsible for the implementation and monitoring of sustainability intiatives i.e. action plans/measures associated with managing the sustainability matters.

STAKEHOLDERS – LIST OF STAKEHOLDERS & STAKEHOLDER PRIORITISATION MATRIX

At VS Industry, we cherish our stakeholders and seek to communicate with them continuously to understand their concerns and expectations in our business. Moreover, continuous communication creates opportunities for future collaborations with our stakeholders. Table 1 below identifies the stakeholders we engaged with, the various modes of engagement as well as the areas of interest of each stakeholder group. The conduct of stakeholder engagements is essential in ensuring that our stakeholders understand the performance and direction of the Company univocally, as well as to discover areas of improvement which we could potentially overlook.

Stakeholder Groups	Channels for Engagement	Areas of Interest	How We Respond to their Concerns
Board of Directors	• Board meetings • Annual General Meetings • Company organised events	• Corporate Governance • Company strategy	• Theme 1: Sustainability-led Innovation • Theme 3: Community and Eco-friendly Consciousness
Major Shareholders	• Annual General Meetings • Analyst briefings • Investor presentations and meetings • Financial statements • Press release	• Dividend • Return on investment • Financial performance • Share performance	• Theme 1: Sustainability-led Innovation
Employees	• Induction training • Learning and development programmes • Employee performance appraisal • Corporate organised events	• Occupational safety & health • Fair remuneration • Fair employment practices • Career development opportunities	• Theme 2: Integrated and Resilient Workforce
Customers	• Face-to-face interactions • Manufacturing collaborations • Feedback survey • Customer audits	• Manufacturing quality • Manufacturing capacity • Research & development • Equitable business operations	• Theme 1: Sustainability-led Innovation
Suppliers	• Interviews • Evaluations/Re-evaluations • Face-to-face interactions	• Agreeable contracts • Terms of payments • Maintaining partnerships	• Theme 1: Sustainability-led Innovation
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	• Theme 1: Sustainability-led Innovation • Theme 2: Integrated and Resilient Workforce • Theme 3: Community and Eco-friendly Consciousness

Stakeholder Groups	Channels for Engagement	Areas of Interest	How We Respond to their Concerns
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	• Theme 3: Community and Eco-friendly Consciousness
Analyst/Media	• Press conference and events • Media release • Media interviews	• Company performance • Responsible business • Corporate Governance	• Theme 1: Sustainability-led Innovation • Theme 3: Community and Eco-friendly Consciousness
Industry Peers	• Annual reports • Industry collaborative programmes • Industry organisations	• Manufacturing practices • Industry outlook • Collaborations	• Theme 1: Sustainability-led Innovation
Non-Governmental Organisations	• Public events • Face-to-face interactions	• Working conditions • Labour rights	• Theme 2: Integrated and Resilient Workforce • Theme 3: Community and Eco-friendly Consciousness

Table 1: Stakeholder Engagement Channels and Areas of Interest

To further enhance our stakeholder engagement initiatives, we had undertaken a structured stakeholder prioritisation exercise during the reporting year, with the guidance of an independent consultant. The exercise allows us to prioritise our stakeholders based on their level of dependence and influence on the Group. Diagram 3 below presents the results of the stakeholder prioritisation, highlighting that the key stakeholders of VS Industry are the Board of Directors, Investors/ Shareholders, Employees, Customers, Suppliers and Government/Regulatory Authorities.

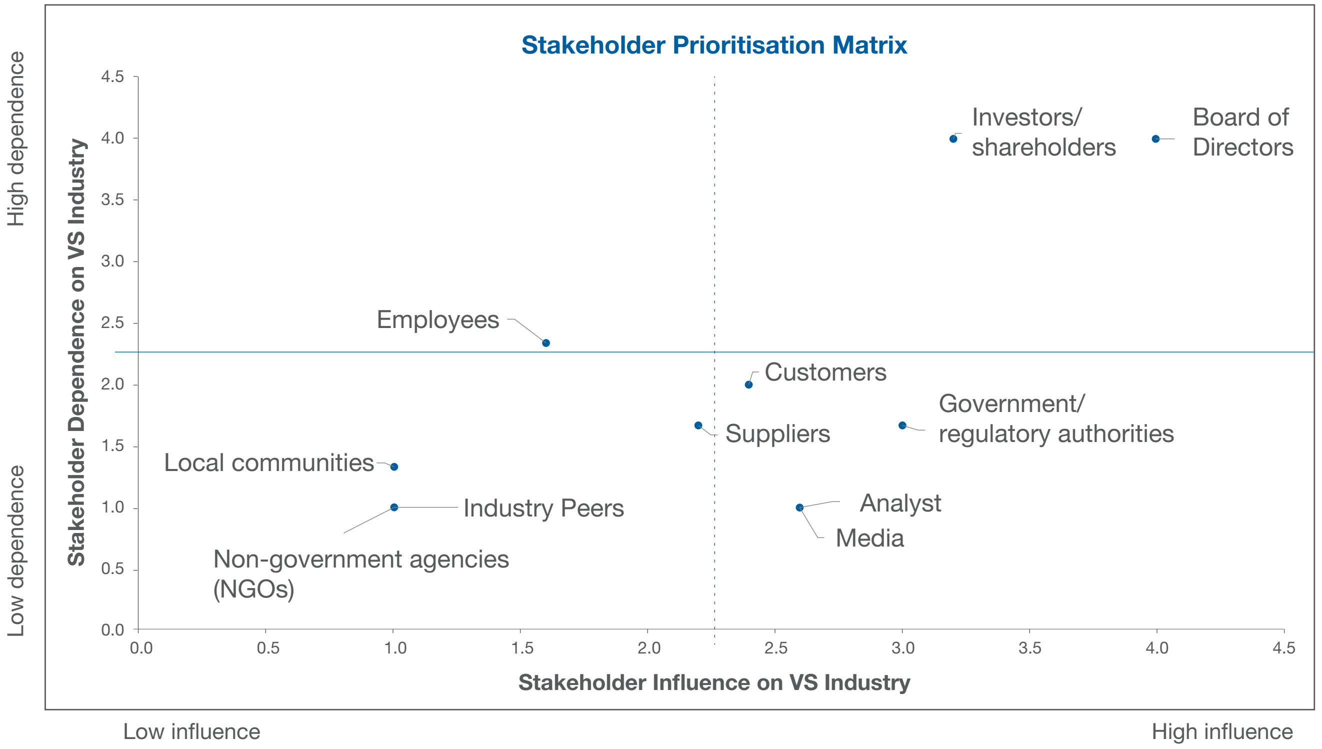


Diagram 3: Stakeholder Prioritisation Matrix

MATERIALITY ASSESSMENT

In identifying economic, environmental and social risks and opportunities ("sustainability matters") which are most material to VS Industry, we had undertaken a formal materiality assessment process. At the start of the process, we identified a list of sustainability matters relevant to the business and the industry we operate in. The list of sustainability matters were identified from both internal and external perspectives through our business strategy and business risks, as well as peer reports, industry specific publications and international voluntary reporting standards. Each sustainability matter was then prioritised by representatives from Senior Management in a structured assessment.

Following this, the key stakeholders of VS Industry were also engaged to gather feedback on their perception on the relative importance of each sustainability matter. From this, we were able to identify the sustainability matters which are important to the business and to our stakeholders. As a result of this, we can better manage and monitor our performance in the areas of the sustainability matters which are material to the Group. The results of the materiality assessment is portrayed in a Materiality Matrix, as depicted in Diagram 4.

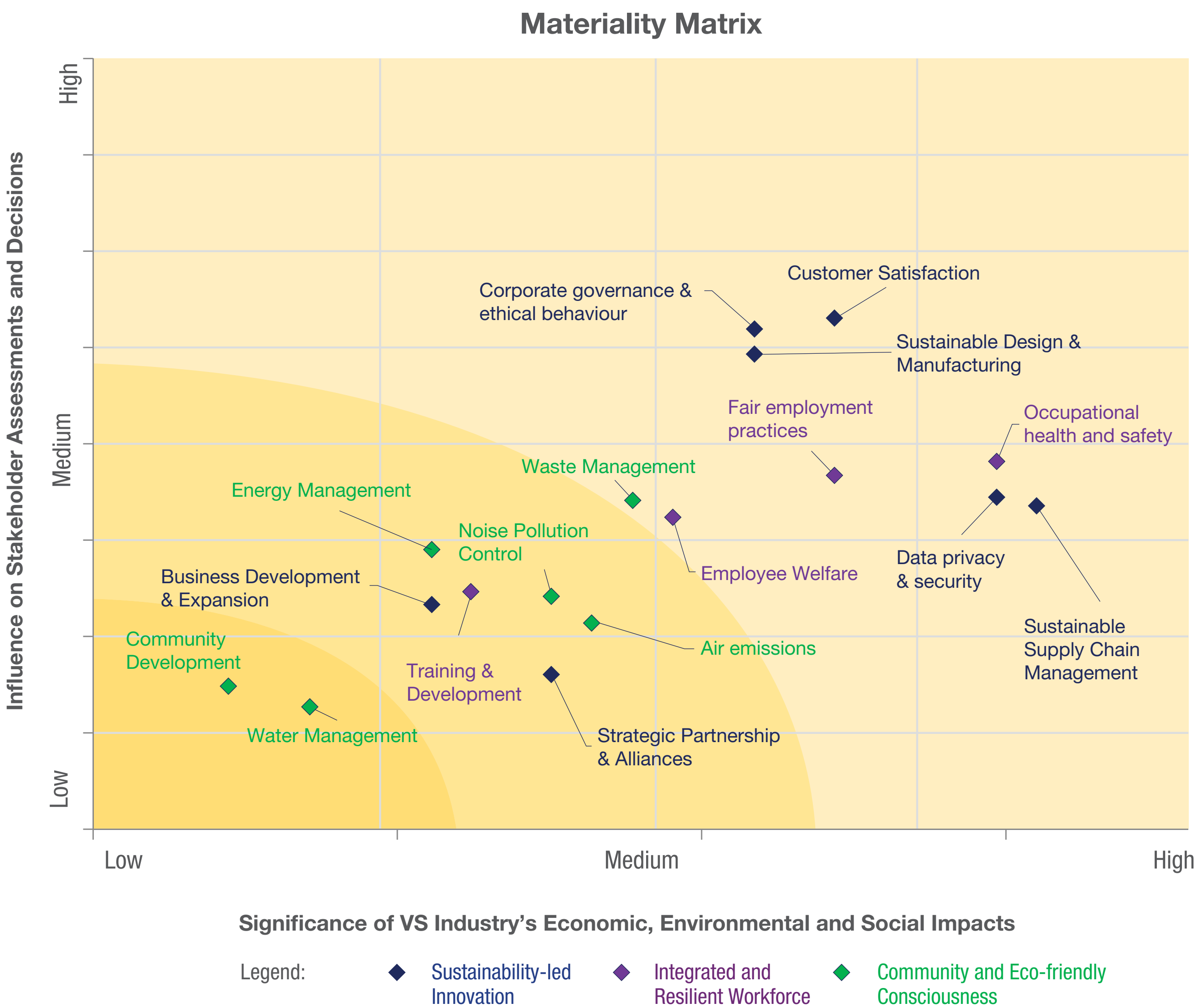


Diagram 4: VS Industry's Materiality Matrix

Details of our initiatives geared towards managing these material sustainability matters are categorised across three main themes i.e. Sustainability-led Innovation, Integrated and Resilient Workforce, and Community and Eco-friendly Consciousness, as discussed in the subsequent sections of this Statement. We have also linked each sustainability matter to our Sustainability Pillar, and mapped it against the SDGs and 11MP.

The next section provides details on how we manage our identified material sustainability matters, including key practices we exercise and performance indicators that we monitor. For this year's reporting, the following four sustainability matters – Strategic Partnerships and Alliances, Business Development and Expansion, Energy Management and Water Management will not be disclosed due to data sensitivity or limited data over the reporting period. Moving forward, we will improve our performance monitoring and narrow down the reporting gap for these matters.

	Material Matters	UN Sustainable Development Goals (SDGs)	11MP Strategic Thrusts	VS Industry's 5 Sustainability Pillars				
				Suppliers	Environment	Welfare of the Employees	Community	Marketplace
Sustainability-led Innovation	Customer Satisfaction	8, 12	3, 4, 6	✓		✓		✓
	Corporate Governance & Ethical Behavior	16	2					✓
	Data Privacy & Security	9	5, 6	✓				✓
	Sustainable Design & Manufacturing	8, 9, 12	3, 4, 5, 6					✓
	Sustainable Supply Chain Management	8, 10, 12	1, 3, 4, 6			✓		✓
	Strategic Partnerships & Alliance*	8, 9, 17	3, 5, 6					✓
	Business Development & Expansion*	8, 9, 17	3, 5, 6					✓
Integrated and Resilient Workforce	Occupational Healthy & Safety	3, 8	2, 3, 6	✓		✓		
	Fair Employment Practices	5, 8, 10, 16	1, 2, 3, 5, 6	✓		✓		
	Employee Welfare	3, 8, 10	1, 2, 3, 6	✓		✓		
	Training & Development	4, 8, 10	1, 3, 6			✓		
Community and Eco-friendly Consciousness	Waste Management	12, 13	4	✓	✓		✓	
	Noise Pollution Control	3, 12	2, 4		✓		✓	
	Air Emissions	3, 12, 13	2, 4	✓	✓		✓	
	Community Contributions	1, 10, 11, 17	1, 2, 4		✓			
	Energy Management*	7, 12, 13	4, 5		✓		✓	
	Water Management*	6, 12	1, 4				✓	

* The sustainability matter will not be disclosed within this report during the financial year

Diagram 5: VS Industry's Sustainability Matters

SUSTAINABILITY-LED INNOVATION

At VS Industry, we capitalise on our ability to develop sustainability-led innovations in our products, processes, workforce and technology to differentiate ourselves from competitors as well as to remain relevant and competitive in the ever-changing business environment. Through our sustainability-led innovations, we are able to meet the demands of customers through offering enhanced products, reducing costs which can be transferred to customers and developing innovative solutions for our customers' operations. Efforts to achieve sustainability-led innovation stretches across our value chain, to improve our customers' experience and services offered, while maintaining integrity in our business conduct.

CUSTOMER SATISFACTION

We strive to deliver high quality experiences to our customers across multiple areas of operation through dedicated efforts towards maintaining close relationships with them. We do this through offering integrated products and services, as well as position ourselves for early involvement in our customers' value chains by developing capacity to assist clients through technical, environmental and economic aspects. We understand the importance of these and commits ourselves to providing professional services and producing products of high quality to meet our customers' needs in the most cost effective method whilst delivering at a timely manner.

Customer Satisfaction Feedback

We highly value customer engagement and customer feedback to determine the level of customer satisfaction. We ensure that communications with customers are effective and that regular customer satisfaction feedback is measured through customer satisfaction surveys.

We engage key customers biannually using a Scorecard to enable them to evaluate their satisfaction on VS Industry's services. The Scorecard assesses key customers' perceptions on VS Industry's quality, service, delivery, cost, supply chain sustainability and innovation.

The feedback received from our customers are reviewed using our Scorecard Review system which processes the feedback received and records the feedback in our Customer Satisfaction Index – a core measure for continuous improvement which promotes customer-centricity. We make it our priority to see that our customers and business partners are highly satisfied with our products and services. Table 2 below displays our performance in this area.

Customer Satisfaction Index		
Target	**2018**	**2017**
85%	80%	89%

Table 2: Customer Satisfaction Index

As compared to 2017, the customer satisfaction index for this year had dropped, and is below our target, followed by an increase in the number of complaints received from customers from 13 complaints in 2017 to 19 complaints in 2018. When customer complaints are received, we at VS Industry strive to resolve the complaints. An example was an issue with our customer's product which resulted in an error in the system. To resolve this, our team has updated the system in which the product was running on.

Responsible Business Alliance (RBA) Assessment

Customer satisfaction is also impacted by our ability to comply with requirements set out in the RBA Code of Conduct. To comply with the RBA Code of Conduct requirements, VS Industry uses the RBA Self-Assessment Questionnaire (SAQ) to assess its facilities. The SAQ facilitates the identification of social, environmental, safety and ethical risks which is then translated into improvement plans and corrective action plans for us to implement. Over the course of the year, 2 RBA audits were conducted on VS Industry by our customers, with which we had passed the assessment on both occasions. An area of risk identified through the SAQ was the employees' working hours. Our improvement plan in response to this is to follow the targets as set by our customers.

CORPORATE GOVERNANCE AND ETHICAL BEHAVIOUR

VS Industry is cognisant that the maintenance of corporate governance, ethical conduct and compliance to regulations is the foundation of protecting shareholders' and stakeholders' interest as well as to enhance shareholders' value. Moreover, sound and effective corporate practices are fundamental to retain smooth, effective and transparent operations within the Group.

With this in mind, we have implemented several on-going initiatives and policies across all business operations. Table 3 below discloses some of the policies implemented at VS Industry to maintain sound corporate governance within the Group.

VS Industry's Policies	
Policies	**Description**
Code of Ethics (Do & Don't)	VS Industry's Code of Ethics (Do & Don't) provides a clear direction to employees on conducting business and general workplace behaviour, addressing issues of confidentiality, conflicts of interest, integrity in reporting, and fair treatment of employees. The Code of Ethics (Do & Don't) is distributed to all employees through the Group's on-boarding program, to ensure that all employees understand and practice the principles of the Code. Some of the obligations required from employees include: • making full, fair, accurate and timely disclosure of information relating to the violation of Company rules or code of conduct to their superior; • obeying the Company's rules as well as local, state and federal laws and regulation while at the Group's operating sites or whenever on Company businesses; • refraining from condoning or participating in bribery, inappropriate gratuity, corruption and illegal activities; and • refraining from the misuse of position, authority, or influence by withholding protection assistance, or give preferential treatment in order to solicit sexual favours, gifts or any other advantage.
Whistleblowing Policy	The Whistleblowing Policy serves as a measure to uphold our commitment towards maintaining the highest standards of integrity, openness, probity and accountability in our business conduct and operations. The implementation of a Whistleblowing Policy provides employees a channel to report any suspected cases of fraud, corruption, unethical behaviour, malpractices, illegal act or failure to comply with regulations, misappropriation and other irregularities occurring within the Group. Employees who report such cases are affirmed that the report will remain confidential and that they will not be reprimanded or victimised from doing so. Employees are safeguarded from reprisal and/or retaliation from their superiors. Complaints and reports received are sent directly to the Internal Audit team, who will escalate the report to the Chairman of the Board Audit Committee ("AC"). The Chairman of the AC is responsible for deciding the appropriate course of action after discussing the report with the Board. More information on the Whistleblowing Policy can be found in our Corporate website, as in the link below: http://www.vs-i.com/investors/

Table 3: VS Industry's Policies

At VS Industry, we understand the importance of continual developments in our practices to ensure that our operations are compliant to the laws, rules and regulations in various locations within which we operate in. In addition to this, we encourage our employees to uphold the highest standards of integrity and accountability at all times. With our initiatives and policies in place, there were no cases of breaches in ethics and integrity conduct reported over the last two years.

DATA PRIVACY AND SECURITY

At VS Industry, we recognise the importance of protecting data belonging to our stakeholders. Stemming from this, VS Industry implemented a Personal Data Protection Policy pursuant to the Personal Data Protection Act 2010 ("PDPA"), which states that VS Industry shall not process personal data ("PD") unless the owner of the PD provides their consent. In addition to this, the PD collected should only be sufficient for the intended purpose. To comply with the PDPA, all prospective suppliers, customers, employees and other individuals who provides their PD is required to sign the PDPA notice.

To ensure that there are no breaches or losses in stakeholders' data collected, we have established an enterprise level security information force. During the reporting period, we invested RM146,700 to tighten and enhance the data security protection system. As a result of our commitment to protect our stakeholders' PD, there has been no breaches or incidents reported over the last two years. The Information Technology ("IT") improvements/maintenance initiatives VS Industry had invested in the reporting period are:

IT Improvements/Maintenance	
Annual license & support renewal for Antivirus software	• Upgrade of firewall appliance
Annual license & support renewal for Backup software	• Implement secure file transfer system
Periodic hardware maintenance (UPS and InRow Aircon)	• Implement secure remote access
Sign up for hardware warranty protection (Domain Controller, File Server, SAN Storage, etc.)	• Subscribe SSL certificate

Table 4: IT Improvement/Maintenance Investments

SUSTAINABLE DESIGN & MANUFACTURING

VS Industry does not merely discuss about sustainability theoretically - we also implement and utilise it as a catalyst for its innovations and product designs. We understand that the rapidly changing operating environment calls for an increase in globalisation and technological advancements within the business. This drives a growth in our manufacturing activities, with a demand for the replacement of traditional products with innovation-led products.

At VS Industry, we value our collaborations with our customers. We believe that working closely with our customers during crucial phases of product development enables the development of new synergies in our integrated capabilities. Moreover, we strive to fully utilise our expertise in manufacturing innovative and technology-driven products when collaborating with our customers to realise the needs and expectations of our customers. Through this, VS Industry is able to remain as customers' preferred manufacturing partner as well as a key enabler within the global product supply chain through strategically establishing ourselves across three Asian countries.

Lean Manufacturing Programme

At VS Industry, we have been pursuing operational excellence by adopting a Lean Manufacturing Programme to improve our processes and methodologies. The improvements achieved through our Lean Manufacturing Programme aligns with the top four wastage sources identified in the manufacturing process – over-processing, cycle time, waiting time and defects, listed in descending order. Through this programme, the Company is able to reduce wasteful practices, processes and materials, decrease the number of defects in production and processes, as well as improve our overall quality and productivity.

Our Lean Manufacturing Program encompasses the implementation of a 5S workplace organisation method. The 5S workplace organisation method enables our company to maximise its efficiency and effectiveness through maintaining a clean, efficient and safe working environment, as well as introduce standardisation. The 5S represents "sort", "set in order", "shine", "standardise" and "sustain". To ensure that the principles of the 5S has been well implemented within the Company, we perform monthly audits and inspections at every VS Industry plant.

Production Design Innovations

We innovate and build our competencies on operational activities through investing in new technology and initiatives to improve and upgrade new processes as well as our business units – i.e. Seeing Machines Limited ("SML") and Skreen Fabric (M) Sdn Bhd ("SFSB").

SML is an Australian-based company offering innovative vehicle-operator safety systems and solutions, within which VS Industry stands as the single largest shareholder. On the other hand, SFSB is a Malaysian-based company which manufactures and supplies screen fabric painting, filter components and other related products. The 100% acquirement of SFSB over the reporting period enables the strengthening of VS Industry's competencies and vertical integration in the EMS sector. Apart from the abovementioned investments, we have also acquired new facilities in 2018 for the purpose of expanding floor space and adding more production lines.

In 2018, we had invested more than RM105 million in improving and expanding its operational activities, which is significantly higher than 2017, where we had invested approximately RM36 million. Table 5 below discloses the percentage increase in investments as compared to 2017.

Investments in New Technology and Initiatives	
Investment	**2018**
Building and Facilities	402%
Machines	54%
Automation	7%

Table 5: Investments in New Technology and Initiatives

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

In view of building and maintaining a sustainable supply chain, we have implemented several initiatives to manage the sustainability of our supply chain. The monitoring and managing of all supply chain related activities in VS Industry are under the supervision of the Supply Chain Department.

Supplier Ethical and Environmental Code of Conduct

We have implemented a Supplier Ethical and Environmental Code of Conduct ("CoC") for the purpose of ensuring that our suppliers are compliant to internationally acceptable conditions of employment. The areas covered by the CoC are depicted in Diagram 6 below:

Diagram 6: VS Industry's Supplier Ethical and Environmental Code of Conduct

Compliance to the CoC is not limited to our suppliers, but also applies to any sub-contractors our suppliers may engage in rendering their services to us. All our trade suppliers are required to declare their compliance through signing of the CoC. To date, all trade suppliers have signed the CoC. Apart from the CoC, our suppliers are also required to adhere to VS Industry's Restriction of Hazardous Substances ("RoHS").

Appointment and Management of Suppliers

At VS Industry, we acknowledge our ability to contribute to the local economy through engaging with local suppliers and purchasing locally. With this in mind, we strive to engage with or purchase from local suppliers over foreign suppliers. Albeit our support for local suppliers, VS Industry makes exceptions to engage with foreign suppliers, whereby several components used in our production are highly niche and can only be sourced regionally or globally. To date, VS Industry has engaged with 2,097 trade and non-trade, local and foreign suppliers. Table 6 shows the percentage of local and foreign suppliers that we have engaged, as well as percentage of local and foreign purchases made across the past 2 years.

Local vs Foreign Suppliers & Purchases				
Percentage of local and foreign suppliers engaged				
	2018		2017	
	Local	Foreign	Local	Foreign
VSI	74%	26%	77%	23%
VSP	55%	45%	52%	48%
VSE	60%	40%	59%	41%
Percentage of local and foreign purchases				
	2018		2017	
	Local	Foreign	Local	Foreign
VSI	67%	33%	60%	40%
VSP	59%	41%	52%	48%
VSE	17%	83%	17%	83%

Table 6: Engagement with and purchases from local and foreign suppliers

For the purpose of overseeing VS Industry's continual adherence to both commercial terms and sustainable supply chain, our supply chain department conducts supplier requalification evaluations annually to randomly selected suppliers. The evaluation consists of a plant qualification audit as well as a process control audit. During the reporting period, 31 suppliers were evaluated as compared to 25 suppliers in 2017.

INTEGRATED & RESILIENT WORKFORCE

VS Industry understands the importance of enabling and maintaining a conducive and inclusive workplace for our employees. Hence, we are committed to meeting the requirements of our employees in the areas of career development, welfare, as well as safe and healthy working environment. We believe that the wellbeing of our employees are crucial to VS Industry as we move towards becoming more sustainable, which also relies on our employees' uptake and support of such practices. Without the commitment and drive of our workforce, we would struggle to grow as a business. We believe that the right skillsets and competencies of our employees will help drive our Group's strategic direction by providing top quality services to our global customers, and ultimately create a positive impact on our economic, environmental, and social dimensions.

OCCUPATIONAL HEALTH AND SAFETY

VS Industry understands the importance of addressing occupational health and safety ("OHS"). This is because OHS concerns the lives and productivity of our employees, as well as the quality and delivery of our products and services.

Occupational Health and Safety Policy

At VS Industry, we prioritise the enforcement and maintenance of high OHS. In view of this, the Group has implemented an OHS Policy with the objective of achieving a safe and injury-free working environment for all employees. The OHS Policy is in line with Occupational Safety and Health Act 1994 which entails the following:

- Seek for continuous improvement in our OHS performance by considering evolving community expectations and management practices;
- Compliance with applicable laws, regulations and standards, and where adequate laws do not exist, adopt and apply standards that reflect the Group's commitment to health and safety;
- Train and hold individual employees accountable for their area of responsibility;
- Implement management systems to identify, assess, monitor and control hazards and review performance, to identify risks;
- Openly communicate with our employees, the government and the community on OHS issues; and
- Periodically review the Group's OHS Policy for effectiveness and suitability.

For the purpose of monitoring our performance in OHS, we have tasked the Safety and Health Committee to track and record the number of OHS related incidents, and consolidate the records on a monthly basis. Additionally, the Safety Committee is responsible for reviewing the OHS Policy to ensure that changes in regulations are reflected within the Policy, on top of implementing new OHS related procedures and organise training programmes. Unfortunately, we have observed a slight decline in our OHS performance, with three cases reported in 2018. The incidents reported were minor occupational injuries, resulting from falls and cuts. The Safety Committee has investigated the incidents and improvement actions were taken to improve safety and remain focused on preventing incidents in the future. The number of incidents reported over the last two years are shown in Diagram 7.

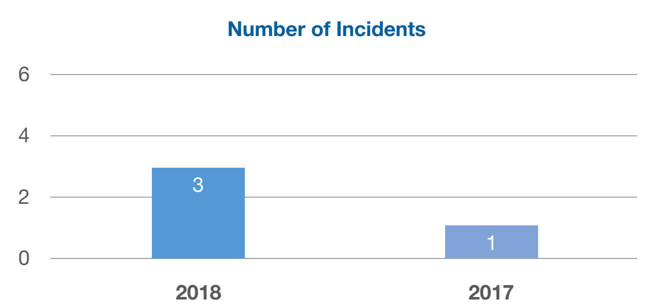


Diagram 7: Number of OHS related incidents

Occupational Health and Safety Initiatives

In attempt to manage our OHS performance, our employees are required to report any potential hazards to their head of department or to the Safety Committee members immediately. Additionally all injuries, regardless of the severity, must be immediately reported to the Safety Officer. The Safety Officer alongside the Safety Committee will then investigate the matter. Upon completion of the investigation, a report will be prepared and submitted to the Department of Occupational Safety and Health, Department of Labour Office, and Social Security Organisation.

During the reporting period, we continued our initiatives in addressing health, safety and security which included:

Ensure that all empleyees have access to and utilise the necessary Personal Protection Equipment (PPE) such as respirators, ear, plugs, safety helmet, etc.	Provide safety briefings to all visitors to educate them on potential hazards and precautionary measures
Emergency response plans such as annual fire drill exercise	Process to assess the risk and effectiveness of controls at the workplace
Programme to promote safety practices within plants (e.g. incentive for departments with "zero accident" on a monthly basis)	Onsite medical clinics for treatment of work-related injuries
Provision of preventive occupational medical services such as regular medical screenings	Regular conduct of health & safety audits by the Safety Committee/ external parties
Collaborative sharing sessions between operating sites (e.g. health and safety conference) to discuss on health and safety issues	

Diagram 8: Healthy, Safety and Security Initiatives

Promotion of Occupational Health and Safety

We constantly aim to improve our workforce's awareness on OHS and embed a culture of safety in the way we operate our business. In view of this, we continuously provide OHS trainings and courses to our employees as well as increasing the number of employees participation in OHS-related trainings and courses. Training programmes provided covers areas of chemical handling, firefighting, first aid as well as forklift and stacker safety driving. Table 7 discloses information regarding the various training programme conducted in the reporting period.

No.	Name of training programme	Key areas covered in the training	Frequency of training
1	Safety Briefings	Internal Department	Daily
2	Safety Induction Course	All employees	Upon Joining
3	Certified training programme (green card) for safety officers	Safety Officers	Yearly
4	Safety Culture Development	All department	Monthly
5	Supervisory Safety	All department	Weekly
6	First Aid & Cardiopulmonary Resuscitation	Emergency Response Team members	Yearly
7	Forklift & Stacker Driver Safety	Forklift and Stacker Driver	Yearly

Table 7: OHS related training programmes

At VS Industry, we adhere to local OHS regulations and conduct self-checks on operations and maintenance of facilities. In addition to the various initiatives and controls put in place to ensure the health and safety of our employees, each employee is responsible for complying with the occupational health and safety standard operating procedures in accordance with Section 25 of the Occupational Safety and Health Act 1994.

FAIR EMPLOYMENT PRACTICES

We understand the importance of providing a diverse and inclusive working environment to our employees while respecting their human rights. In light of this, we have implemented several policies and procedures to uphold the human rights of our employees and to ensure a healthy, safe and secure workplace can be established. The policies and procedures which the Group endorses are included within VS Industry's Code of Ethics (Do and Don't) and Employee Handbook.

Equal Employment Opportunity

At VS Industry, we take pride in our appointment and recruitment process as an employer which provides equal opportunities to our employees, regardless of age, gender, marital status, religion, family status, creed or any disability. This is practiced across the Group's business operations, employment process and resource allocation. Our strategies and procedures in relation to staffing, hiring and retention provides all our employees with equal opportunities, on the basis of merits and performance.

During the reporting year under review, the Group has a total workforce of 6,506 employees, an increase of 45% from 2017. The significant spike in the number of employees was a result of our expansion in operations and competencies. Our employees fall into 3 categories – i.e., non-skilled (A&B), semi-skilled (C, D & E), and skilled (EX1 and above). Due to the nature of the business, majority of our employees are non-skilled workers who function as assembly plant operators and assemblers – contributing to 79% of our workforce in 2018.

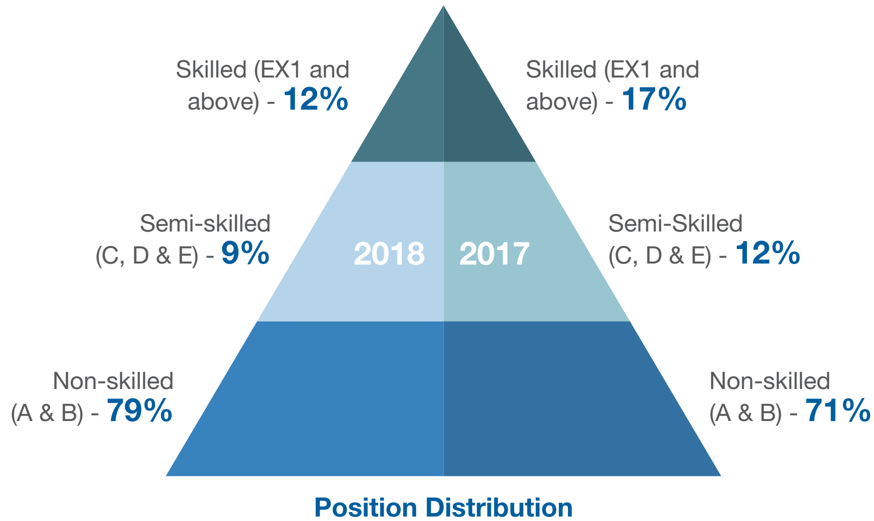


Diagram 9: Distribution of Positions within the Workforce

Workforce Diversity and Inclusion

With our business operations spanning across various countries, we place significant efforts in creating a culture which embraces inclusion and diversity. The distribution of our workforce demographics is illustrated in Diagram 10 below.

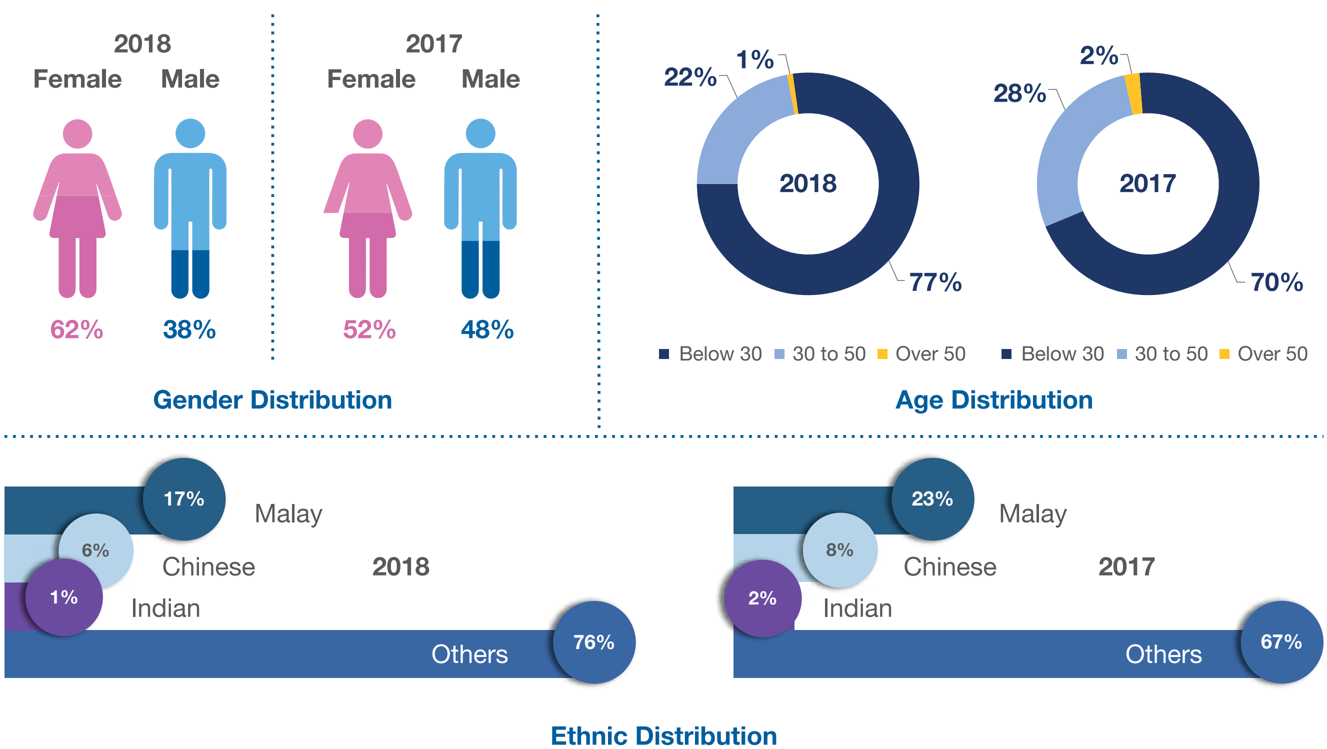


Diagram 10: Workforce Distribution

In 2018, our workforce was represented by 38% men and 62% women. The increase in female employees in 2018 were fostered by our commitment towards appreciating and supporting female employees such as the entitlement to pregnant women benefits. With gender aside, a large proportion of our employees are aged 18 to 30. Combined, these employees make up 77% of our total workforce.

In addition to embracing a culture of inclusion and diversity, VS Industry exercises the prohibition of harassment and child labour as well as adhering to local minimum wages to further enforce our fair employment practices.

Other Fair Employment Practices Exercised	
Prohibition of Harassment	We ensure that our work environment is conducive, safe and free from any form of harassment and unlawful discrimination. Sexual harassment is treated as a serious violation of our rules and regulations and our values. The Sexual Harassment Policy and Grievance Procedure is available to all our employees and we ensure that our employees are briefed and aware of these.
Adherence to Minimum Wage	We ensure to adhere to minimum wage requirements by observing the Minimum Wages Order 2012 and its subsequent amendments as announced by the Government.
Prevention of Child Labour	We observe the Children and Young Persons (Employment) Act 1966 as well as the Children and Young Persons (Employment) (Amendment) Act 2010, which came into force on March 2011, defining the following: • "Child" referring to any person who has not completed his/her 15th year of age; and • "Young Person" referring to any person who, not being a child, has not completed his/her 18th year of age. VS Industry will only employ individuals 18 years and above in our recruitment exercise. This is in adherence to policies of the International Labour Organisation.

Table 8: Other Fair Employment Practices Exercised

EMPLOYEE WELFARE

The Group is committed towards attracting talents by providing a well-supported working environment, and creating opportunities for career development. At VS Industry, we have implemented across all our operating sites, an integrated welfare system, managed by our Human Resource Department, to remunerate and recognise our talents fairly. In addition to this, we ensure that all employees are treated equally at all times.

Benefits and Compensation

VS Industry adheres to applicable local statutory requirements and regulations with regards to wages and benefits such as the minimum wages order, employees' provident fund, employees' social security, and leaves provision. In addition to compliance with regulations, we offer our employees personal accident and medical insurance coverage, transport subsidies as well as housing subsidies. As it is our desire to optimise work-life integration and personal effectiveness, the Group offers other employee welfare bonuses such as travel allowance, subsidies for continued education, dental and hospitalisation benefits, communications expenses, uniform and personal protective equipment, application of residence permits for current employees and festive gifts. Furthermore, all local employees are insured under the Group Hospitalisation and Surgical (GHS) scheme with a minimum sum of RM75,000.

Our employees are entitled to annual leaves as well as rest days during national holidays and weekends. Apart from these, VS Industry offers our employees up to two working days of special leave per annum, for events of wedding, death of immediate family members or natural disasters. Our employees are also entitled to compassionate leave, congratulatory leave and examination leave.

Apart from the abovementioned benefits offered to our employees, other benefits provided include:

Additional Benefit	Description
Employment After Retirement Age	Retired employees of VS Industry have the option to continue working with the Group under a yearly contract basis.
Employees' Share Option Scheme	Malaysian employees are entitled to employee share options – VS Industry's incentive structure. Share Options are offered based on the employee's position and service length.
Long Service Award	VS Industry recognises loyal employees who have served for a duration of 25 and 30 years through awarding Long Service Awards.

Table 9: Other Benefits

Employee Engagement

At VS Industry, it is our commitment to promote social welfare through fulfilling our corporate social responsibility commitment by supporting and participating in a number of initiatives. To encourage fellowship and camaraderie amongst our employees, regular recreational activities are organised and sponsored by the Group, with a focus on cultural events and gatherings. Some of these activities include VS Group's annual dinner, group fundraising events and work holidays.

Communication Channel

VS Industry continually strives to improve the Company's culture and work environment. To achieve this, we have created various channels in which our employees are able to provide their suggestions and opinions. We believe that our employees, like us, are determined to improve the Group's culture and working environment and trust that they will share with us their thoughts and opinions to enable us to make informed changes and decisions.

Inappropriate ethical behaviour is not entertained at VS Industry, and therefore we have implemented a grievance mechanism. Our grievance mechanism consists of a two-step procedure for employees to report on inappropriate behaviour.

VS Industry's 2-Step Grievance System

Step 1:

The matter must be reported to an immediate superior within 2 working days.

The staff making the report must be accompanied by a colleague.

Should the matter being reported remain unsettled, the staff and their colleague may escalate the matter to the next level of Management.

Step 2:

Should the matter remain unsettled within the period of a futher 2 working days, the staffs is allowed to escalate the matter to the Human Resources Department.

The Human Resources Manager shall make a decision on the matter within 2 working days and the decision made will be final.

Diagram 11: VS Industry's 2-Step Grievance System

In 2018, we received two cases of workplace grievances. These cases were investigated and all cases were closed per procedure and no cases of retaliation were reported.

In addition to our grievance system, employees are also able to reach out to us through "Suara Kami". "Suara Kami" is an anonymous complaint platform for foreign employees to report on inappropriate ethical behaviours and workplace grievances to an independent body such as the Responsible Business Alliance (RBA) via a help line. In addition to this, employees are also able to voice their grievances through the customer helpline.

Training and Development

In shaping a skilled and knowledgeable workforce within the industry, we are committed to ensuring that our employees receive the necessary training and development they require to build on their competencies and skillsets. At VS Industry, we truly value the training and development of our employees as we acknowledge that this benefits not only the personal growth and development of our employees, but also the Group's growth and resilience as a whole.

The trainings we offer to our employees ensure that they work and deliver at the highest level of excellence. Apart from this, we encourage our employees to expand their knowledge and foster personal growth and development by taking on new roles and responsibilities. With this in mind, we provide a variety of soft skill trainings and technical trainings. An example of our technical training is our day to day in work experience training for machine operators, enabling the participants to obtain hands on experience. Our soft skill training includes a leadership training programme, targeting junior management to groom them into better managers. Other types of trainings conducted include induction trainings for new recruits and job level trainings – a three year training programme for all employees upon employment.

COMMUNITY & ECO-FRIENDLY CONSCIOUSNESS

At VS Industry, we understand the importance of operating in an environmentally sound manner. Keeping this in mind, we conduct our operations based on governance mechanisms to ensure that we are in compliance to regulations and adhere to acceptable limits set by local authorities. Where limits are not in place, we strive to operate at an acceptable level, without impacting the local environment significantly. While managing our operations and its environmental impacts, we do not compromise on the quality and delivery of our products and services, and stay abreast of industry best practices. We aim to uphold operational excellence across our business value chain, while taking into consideration measures to preserve the environment we operate within.

WASTE MANAGEMENT

Stemming from the nature and size of our business operations, VS Industry produces significant amounts of waste, thereby cultivating our commitment towards managing waste in an environmentally sound manner. We observe strict internal controls in waste management to prevent mishandling and to ensure adherence to relevant laws and regulations. The Group's waste management is overseen by our Safety Department and governed by our Environmental Policy and Waste Management Procedures, to adhere to the Environmental Quality Act and Energy Commission requirements. Our Waste Management Procedures was established to develop a standardised procedure for the optimisation of product packaging and waste management initiatives. To effectively manage the generation of our waste, the Safety Department is responsible for the management of disposal methods, as well as identification of processes that generate the most waste.

At VS Industry, we categorise our waste into two categories – scheduled waste and non-scheduled waste, as per Malaysian regulations. All scheduled waste produced by VS Industry is collected by a Department of Environment ("DOE") approved contractor, while non-scheduled waste is scrapped or collected by selected waste collectors for recycling or disposing at the landfills. Our main sources of non-scheduled waste are paper, wood, plastic, scrap metal and food waste, which we try to reduce by encouraging our employees to utilise available resources prudently.

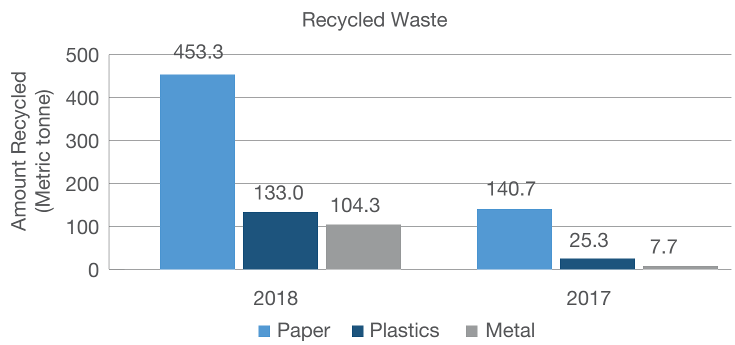


Diagram 12: Total Waste Recycled

It is to our belief that the significant increase in amount of waste recycled is due to the increase of training programmes aimed at creating awareness on waste and effluents management. In addition to this, we have also implemented various initiatives to monitor and manage our waste disposal and recycling initiatives such as regular project site audits and inspections, development of standardised waste disposal practices and application of technology to redesign packaging with minimal environmental impact.

NOISE POLLUTION CONTROL

VS Industry recognises that the generation of noise is inevitable in some of our processes. To address this, we have established a Noise Emission Policy encompassed within our Group Environmental Policy, aimed at monitoring and controlling noise levels due to our operations. The management of noise in VS Industry is overseen by the Safety Department to ensure compliance with regulations, as well as ensure the implementation of internal controls such as periodic assessments on operating sites, identify key processes, and implement engineering controls to reduce noise pollution. Some of the measures implemented are illustrated in the diagram below.

Engineering controls such as noise reducing specifications in our machineries.	Periodic audiometry tests for machine operators to monitor the employees' risk of detrimental exposure to noise.
Ensure that all employees have access to and utilise the necessary Personal Protection Equipment (PPE) such as hearing protections.	Organise training programmes for employees and workers, with a focus on noise safety and hazards.

Diagram 13: Measures Implemented to Reduce the Impact of Noise Generated

At VS Industry, we engage a Department of Occupational Safety & Health (DOSH) approved Environmental Consultant to conduct periodic assessments on noise levels generated from our operations. During the reporting year, a total of six sites were inspected, with the outcome reported in Table 10 below.

Noise Level Assessments	2018	2017
Number of sites inspected	6	6
% of sites inspected in compliance to regulatory limits	100	100
Improvements made	Implementation of engineering controls	Implementation of engineering controls

Table 10: Noise Level Assessments Results

AIR EMISSIONS

The monitoring of VS Industry's air emissions are overseen by our Safety Department as well as Energy Saving Committee, and governed by our Environmental Policy. The Safety Department is responsible for implementing DOE regulations into existing company processes, reporting on emissions statements and setting targets for emission reductions.

Although our business operations do not generate large significant amounts of air emissions, we are still regulated by the DOE to meet the regulatory standards pursuant to the Clean Air Regulation (2014). Our emissions are channelled through four chimneys located at the VSI and VSE facilities. These chimneys are regularly assessed to ensure that we are in compliance to DOE's limits by regularly collecting samples from each chimney, and analysing the samples. Table 11 below shows the results of the latest assessment conducted during the reporting period.

Air Emissions Limit Compliance

Parameter	Unit	DOE Limit	Compliance 2018	Compliance 2017
Ammonia	Mg/m^3	76	✓	✓
Chlorine	Mg/m^3	32	✓	✓
Hydrogen Chloride	Mg/m^3	200	✓	✓
Hydrogen Sulphide	Mg/m^3	7.5	✓	✓
Nitrogen Dioxide	Mg/m^3	700	✓	✓
Particulate Matter	Mg/m^3	50	✓	✓
Sulphur Oxides	Mg/m^3	100	✓	✓
Non-methane volatile organic compounds	Mg/m^3	150	✓	✓
Mercury	Mg/m^3	0.05	✓	✓

Table 11: Air Emissions Assessment Results

In supporting our commitment to lower our air emissions, we have begun our transition towards the use of renewable energy. Further to this, we have also installed new equipment to replace and upgrade old equipment which generate larger amounts of air emissions when in use.

COMMUNITY CONTRIBUTIONS

At VS Industry, we do not only focus on the success of our business. We are committed to benefit the local communities through monetary and non-monetary benefits in kind to enrich the livelihood of the communities we serve and operate in. This is supported by our Sustainability Policy that reminds ourselves to care for and to consider the local communities within which we operate in, in the pursuit of our long-term vision and goals.

During the year under review, VS Industry had organised two blood donation campaigns. A total of 200 employees had volunteered to donate blood. In addition to this, we had also contributed to Johor Area Rehabilitation Organisation (JARO) through monetary donations. JARO is an organisation which provides trainings as well as a workplace for physically and mentally disabled personnel, to assist in their rehabilitation. With this in mind, we believe that contributing to JARO is in line with our commitment to contribute back to the greater society.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the "Board") of V.S. Industry Berhad ("VSI" or "the Company") is committed to the implementation and maintenance of high standards of corporate governance practices throughout VSI and its subsidiaries ("the Group") as a fundamental part of its responsibilities in managing its business affairs so as to promote business prosperity and long term sustainable growth. The Board believes that a robust corporate governance framework is essential to realise long term shareholders' value and protect the interests of all stakeholders as well as the assets of the Group.

The Board is cognisant of the growing level of expectation by regulators and stakeholders for increased corporate governance more so with the introduction of the Malaysian Code on Corporate Governance ("the Code") on 26 April 2017 and, accordingly has taken necessary steps to ensure strong governance practices are adopted throughout the Group.

The ensuing paragraphs in this Corporate Governance Overview Statement ("CG Overview Statement") describes the extent of how the Group has applied and complied with the three (3) key Principles and 36 Practices of the Code for the financial year ended 31 July 2018 ("FY2018") and up to to-date. This CG Overview Statement is made pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") with guidance drawn from Practice Note 9 of MMLR and the Corporate Governance Guide (3rd edition) issued by Bursa Securities.

The CG Overview Statement is complemented with a Corporate Governance Report ("CG Report"), based on a prescribed format as outlined under Paragraph 15.25(2) of the MMLR which articulates the application of the Company's corporate governance practices vis-à-vis the Code. The CG Report is available on the Company's website at www.vs-i.com and via an announcement on the website of Bursa Securities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Part I Board Responsibilities

1 Board's Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

The Board of VSI takes full responsibility for the Company and the Group's overall strategic directions, business model, succession planning, performance objectives, risk management, investor relations, compliance and accountability system, internal control system and corporate governance practices to ensure that the Company and the Group operates with integrity and achieves its strategic goals with the ultimate objective of delivering sustainable performance and maximising shareholders' value.

In discharging its fiduciary duties within a framework founded on transparency, integrity and accountability, the Board ensures that it aligns the interests of the Board and management with that of shareholders and all stakeholders.

As part of the Board's initiatives to facilitate discharge of its stewardship role, the Board has delegated certain powers to the Board Committees and the management. The clear demarcation of the respective roles and responsibilities of the Board and Board Committees as well as matters specifically reserved for collective decision of the Board are clearly outlined in the Board Charter, which serves as a reference and guiding literature for Directors in performing their duties.

The Board Charter, which was last updated in July 2018, would be periodically reviewed with a view to enhance its scope, by the Board as and when required to take into consideration the changing needs of the Company as well as development in rules, guidelines and regulations that may have an impact on the discharge of Board's functions and responsibilities.

The Board Charter is published on the Company's website at www.vs-i.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part I Board Responsibilities (Cont'd)

1 Board's Leadership on Objectives and Goals (Cont'd)

1.1 Strategic Aims, Values and Standards (Cont'd)

The Board is assisted by three (3) Board Committees, namely, Audit Committee ("AC"), Nomination Committee ("NC") and Remuneration Committee ("RC") to ensure appropriate checks and balances in discharging its oversight function. These Committees comprise majority of Independent Non-Executive Directors ("INEDs"). Each of these Committees operates under clearly defined Terms of Reference ("TOR") as approved by the Board to oversee and deliberate matters within their purviews.

Notwithstanding the delegation of specific powers, the Board keeps itself apprised of the key matters discussed and recommendations made by each Board Committee through the reports by the Chairman of the respective Board Committees at Board meetings. The decision on whether to act on recommendations by Board Committees lies with the Board. As a whole, the Board is the ultimate decision making body retaining full responsibility for the direction and control of the Company and the Group.

During the financial year under review, the Board has devoted sufficient time to attend meetings to deliberate on matters under their purview. The Board has also delegated the responsibility of implementing the Company's strategic plans, policies and decisions adopted by the Board to the management, which is led by the Managing Director ("MD"). The MD is the conduit between the Board and the management in ensuring smooth and effective running of the Group.

1.2 Chairman of the Board

The Board is led by an Executive Chairman who is accountable for ensuring the integrity and effectiveness of the governance process of the Board.

He provides leadership and governance in order to create a conducive environment geared towards building and enhancing the Board's effectiveness and ensures that all strategic and critical issues are discussed by the Board in a timely manner.

1.3 Separation of Positions of Chairman and CEO (Chief Executive Officer)

The roles and responsibilities of CEO in the Company is assumed by the MD. The Board is aware that the presence of a strong independent element is essential to ensure a balance of power and authority. The positions of the Chairman and the MD are held by two different individuals. Their roles and responsibilities are clearly segregated to engender accountability and facilitate the division of responsibility, such that no one individual has unfettered powers over decision making.

The MD is responsible for the executive management of the Group's business and implementing operational decisions and managing day-to-day operations. He is supported by the Executive Directors and management team in implementing the Group's strategic plan and overseeing the operations and business development of the Group.

1.4 Qualified and Competent Company Secretaries

The Board is supported by professionally qualified and competent Company Secretaries.

The Board has direct access to the professional advice and services of the Company Secretary, particularly relating to statutory obligations, corporate governance best practices, Board policies and procedures as well as any updates relating to corporate and securities laws and the resultant implications of any developments therein to the Group and the Directors in respect of their responsibilities and obligations to ensure compliance with the Companies Act 2016, MMLR of Bursa Securities and other relevant laws and regulations.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part I Board Responsibilities (Cont'd)

1 Board's Leadership on Objectives and Goals (Cont'd)

1.4 Qualified and Competent Company Secretaries (Cont'd)

The Company Secretaries ensure that all Board and Board Committees meetings are properly convened and meeting materials are disseminated on a timely basis to accord Directors with adequate time to peruse the materials and prepare for the meetings. The Company Secretaries are also responsible for proper and accurate documentation of all proceedings of meetings including key deliberations, resolutions passed and any significant concerns raised by the Directors.

The Company Secretaries constantly keep themselves abreast with the evolving regulatory changes and developments in corporate governance realm by attending the necessary trainings programmes, conferences, seminars and/or workshops to ensure effective discharge of their advisory role to the Board.

1.5 Access to Information and Advice

The Board recognises that the decision-making process is highly dependent on the quality of information available. All Directors on the Board and Board Committees have full and unrestricted access to management and the Company Secretary on all matters requiring information for deliberation.

The notice of Board and Board Committees meeting together with Board papers are circulated to the Directors at least one (1) week prior to each meeting. This enables the Directors to have ample time to review, seek additional information and/or clarification from the management or the Company Secretaries on the matters to be deliberated to facilitate constructive and effective discussion during the meetings. The Board papers circulated include financial results, forecasts and latest development in the Group.

The Board's deliberation, in terms of the pertinent issues discussed at the meetings in arriving at the decisions and conclusions thereof are properly recorded by the Company Secretaries by way of minutes of meetings. The minutes will then be tabled at the subsequent meetings for confirmation.

Sufficient time is allocated to the Chairman of the respective Board Committees to brief the Board on salient issues deliberated and decisions made at Committee meetings under a separate agenda at Board Meeting following their respective meetings.

The Board is regularly updated and advised by the Company Secretaries on development in regulatory requirements and the implications to the Group and Directors in discharging their duties and responsibilities.

The Directors, whether as full Board or in their personal capacity, may upon approval from the Board, seek independent professional advice if required, in furtherance of their duty, at the Group's expense.

2 Demarcation of responsibilities

2.1 Board Charter

The Board Charter, which serves as a guide for the operation of the Board, outlines the composition, roles, functions and processes of the Board and those powers and functions delegated to the Board Committees as well as matters specifically reserved for collective decision of the Board.

The Board Charter is subject to periodically review by the Board to ensure that it remains consistent with the Board's roles and responsibilities, changing needs of the Company as well as any development in the prevailing legislation and practices.

In July 2018, the Board had reviewed and approved the Board Charter to enhance governance practices on the Board in line with the principles of good corporate governance in the Code and requirements of MMLR of Bursa Securities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part I Board Responsibilities (Cont'd)

3 Good business conduct and corporate culture

3.1 Code of Ethics and Conduct

The Board observes the Company Directors' Code of Ethics as established by the Suruhanjaya Syarikat Malaysia (Companies Commission of Malaysia or "SSM"). The said Code of Ethics is published on SSM's website at www.ssm.com.my.

The aim of the Code of Ethics is the enhancement of standard of corporate governance and corporate behaviour through establishing standards of ethical behaviour based on trustworthiness and values as well as uphold the spirit of accountability and social responsibility in line with legislations, regulations and guidelines for administration of a company.

Adherence this and the Whistleblowing Policy under Principle 3.2 by all in the performance of their duties is essential to maintain the Group's reputation for fair and ethical practices among customers, suppliers, shareholders, employees, communities and other stakeholders. Working with a strong sense of integrity is essential to achieve the Group's business goals in an open, honest, ethical and principled manner.

3.2 Whistleblowing Policy

The Board is cognisant 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.

As part of the continuous effort to ensure that good corporate governance practices are being adopted, the Company has put in place a Whistleblowing Policy which allows the whistle blower(s) to raise concerns about actual or potential corporate fraud or breach of ethics involving any Directors, management or employees of the Group.

The policy fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for the exposure of any violations or improper conduct or wrongdoing within the Group.

All whistle blowing reports are to be addressed to the Internal Audit Department (on behalf of the Chairman of the AC). The policy also affirms that the identity of the whistle blower will be kept confidential and protection will be accorded to the whistle blower against any form of reprisal or retribution save and except for circumstances as prescribed in the policy.

The Whistleblowing Policy is available on the Company's website at www.vs-i.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II Board Composition

4 Board objectivity

4.1 Board Composition

The Board presently comprised of nine (9) members with the composition as outlined below:

Directorate	Director(s)
Executive Chairman	Datuk Beh Kim Ling
Managing Director	Datuk Gan Sem Yam
Executive Director	Datin Gan Chu Cheng *(her alternate, Chong Chin Siong)* Dato' Gan Tiong Sia *(his alternate, Beh Chern Wei)* Ng Yong Kang *(his alternate, Gan Pee Yong)*
Senior Independent Non-Executive Director	Tan Sri Mohd Nadzmi Bin Mohd Salleh
Independent Non-Executive Director	Pan Swee Keat Tang Sim Cheow Diong Tai Pew

Brief profile of each Director is detailed under Profile of Directors in this Annual Report.

Three (3) Directors joined the Board on 2 April 2018. Beh Chern Wei and Gan Pee Yong were appointed as Alternate Director to Dato' Gan Tiong Sia and Ng Yong Kang respectively. These appointments were part of the executive Board members' succession plan for a new generation of leaders of the Group.

As for Diong Tai Pew, his appointment was to further strengthen independent voice on the Board. Following his appointment, the Board now comprised of four (4) Independent Non-Executive Directors ("INEDs").

The Board is in compliance with Chapter 15.02 of the MMLR of Bursa Securities, which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are Independent Directors.

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director under para 1.01 and Practice Note 13 of the MMLR of Bursa Securities. The key elements for fulfilling the criteria are the appointment of independent Directors who are not members of management (non-executive) and who are free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company.

The Board is mindful that even with the appointment of a new INED, the Board still does not comprise at least half of INEDs and is of the view that the present INEDs, with the breadth of professional background, have enabled the Board to exercise objective judgement on various issues and decisions are made through their sharing of impartial, objective and unbiased opinion and viewpoints. Although all Directors shared equal responsibility for the Group's business directions and operations, the presence of INEDs is essential in ensuring that the management proposals are fully discussed, challenged and evaluated, by taking into account the interest not only of the Group but also all interested parties, including shareholders, employees, customers, suppliers and the communities as a whole.

Further, the current composition of the Board Committees comprise a majority of INEDs which affirmed the Board's commitment towards independence and provide strong check and balance in the Board's governance function.

Therefore, the lack of the necessary number of INEDs does not jeopardise the independence of Board deliberations and all decisions have been made in the best interest of the Company and the Group. Nonetheless the Board will address Board succession planning in the near future to ensure that INEDs form 50% of Board composition.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II Board Composition (Cont'd)

4 Board objectivity (Cont'd)

4.2 Tenure of Independent Directors

The Board is mindful of the recommendation of the Code that the tenure of an Independent Director should not exceed a cumulative or consecutive term of nine (9) years. Upon completion of the tenure, an Independent Director may continue to serve the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director.

However, the Board with the recommendation of the NC must justify the decision and seek shareholders' approval at general meeting if the Board intends to retain the Director as INED after serving a cumulative or consecutive term of nine (9) years. In the event the Board continues to retain the Independent Director after the twelfth (12th) year, annual shareholders' approval must be sought through a two-tier voting process to retain the said Director as an Independent Director.

There are four (4) INEDs on the Board presently. As at to-date, three (3) of the INEDs, namely, Tan Sri Mohd Nadzmi Bin Mohd Salleh, Pan Swee Keat and Tang Sim Cheow, have all served on the Board for a cumulative or consecutive term of more than twelve (12) years.

The Board had, through NC, assessed the independence of its INEDs and is satisfied that the INEDs have demonstrated independence in their conduct and behaviour and that each of them is independent of the management and free from any business or other relationships which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company and the Group. As such, the Board will recommend for Tan Sri Mohd Nadzmi Bin Mohd Salleh, Pan Swee Keat and Tang Sim Cheow to be retained as INEDs subject to shareholders' approval at the forthcoming AGM (annual general meeting).

4.3 Policy on Tenure of Independent Directors

The Company does not have a policy which limits the tenure of its INEDs to nine (9) years presently as the Board viewed that the mere fact that a Director has served on a board for a substantial period does not mean that he has become too close to management or his independence has been compromised by his length of service.

In the event the Board intends to retain a Director as INED after the latter has served a consecutive or cumulative tenure of nine (9) years, the Board may and subject to the assessment of the NC on an annual basis, seek shareholders' approval at the AGM upon concrete justification. The Board will continue to undertake a two-tier voting at the coming AGM for the retention of Tan Sri Mohd Nadzmi Bin Mohd Salleh, Pan Swee Keat and Tang Sim Cheow as INEDs as all of them had served more than 12 years in that position.

4.4 Diversity of Board and Senior management

The Group sees a diverse Board and Senior management as an essential element in supporting the attainment of strategic aims. In this regard, the Company has at all times practices non-discrimination on the basis of, but not limited to, age, gender, ethnicity or religion, educational and cultural background or geographic region when selecting Board member and senior management. It believes that an inclusive culture will enable the Company to leverage differences in perspective, knowledge, skill and experience in achieving a sustainable and balanced development. All appointments have been and will be based on objective criteria, merit and also due regard for diversity in experience, skills set, age and cultural background.

The present Directors, with their diverse background and professional specialisation, collectively, bring with them a wealth of experience and expertise in areas such as engineering, manufacturing, strategic planning, general management, sales and marketing, finance and accounting, banking and tax. As such, the Group is essentially led and guided by a competent Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II Board Composition (Cont'd)

4 Board objectivity (Cont'd)

4.5 Gender Diversity

Whilst acknowledging the recommendation of the Code on gender diversity, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group.

The presence of the Executive Director, Datin Gan Chu Cheng, testifies to the Group's commitment on gender diversity.

The Group recognises the importance of boardroom diversity to enhance decision-making capability and performance of the Company by bringing diverse perspectives. It adheres to the practice of non-discrimination with regard to gender in selection of candidate for directorship or employment. The evaluation of the suitability of candidates is always based on the candidates' competency, character, time commitment, integrity, performance and experience to bring value and expertise to the Board.

The issue of diversity has been discussed and given prominence during deliberations by the NC and the Board. The NC will be actively searching for a woman candidate to join the Board to address the gender imbalance in composition of Board. Nevertheless, it will take some time for the Board and the NC to identify and select a suitably well qualified female director.

In addition, the Board affirmed that in the event of any Board vacancy in future, gender diversity shall be one of the criteria to be considered by the NC during their evaluation and selection process.

4.6 Diverse sources for new candidate(s) for Board appointment

There were three (3) new appointments to the Board during FY2018 with two (2) for Alternate Directors as part of succession planning for executive Board members and the last for a new INEDs. These new Board members were recommended by various Board members.

Nonetheless, the NC is open to utilise a variety of approaches and independent sources to identify suitably qualified candidate(s) for consideration as Director and will ensure that the procedures for evaluating and selecting new Director are transparent and formal with the appointment made on merit basis.

4.7 Nomination Committee ("NC")

The NC is empowered by the Board to oversee the assessment of the Board as a whole, Board Committees and each individual Director, nominate to the Board the candidature of Directors and Board Committees' members as well as review the Board's succession plans and training programs.

The TOR of the NC is available for viewing at the Company's website at www.vs-i.com.

The NC comprises of three (3) members, the majority of whom are INEDs. Its Chairman is an INED and the present composition of the NC is as follows:

Name	Position
Tang Sim Cheow	Chairman
Pan Swee Keat	Member
Datuk Gan Sem Yam	Member

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II Board Composition (Cont'd)

4 Board objectivity (Cont'd)

4.7 Nomination Committee ("NC") (Cont'd)

At this juncture, the NC does not comprise exclusively of Non-Executive Directors as recommended by the Code because the Board is of the view that the MD 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 business operation and industry.

The NC would meet at least once (1) annually with additional meetings convened on as and when needed basis.

During the year under review, key activities undertaken by the NC are summarised as follows:

(a) Considered and reviewed the Board's present size, structure and composition of the Board as well as the required mix of skills, experience, composition, size 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.
(c) Assessed the independence of the INEDs who have served in the said capacity for more than twelve (12) years and recommended to the Board for the continuation of service.
(d) Reviewed the term of office and performance of the AC.
(e) Reviewed and assessed the contribution of each Director and the effectiveness of the Board and Board Committees.
(f) Discussed the character, experience, integrity and competence of the Directors, and MD and to ensure they have the time to discharge their respective roles.
(g) Noted the training attended by Directors for disclosure in the CG Overview Statement for publication in the Annual Report.
(h) Recommended for Directors to attend training or seminars particularly those in connection with updates to regulations and financial reporting standards.
(i) Considered appointment of additional INED(s) to meet gender diversity and balance of INEDs on the Board.

5 Board Assessments

5.1 Overall effectiveness of the Board and individual Directors

The NC conducts an annual review of the effectiveness of the Board and Board Committees as well as the performance of each individual Director. The assessment is administered via customised questionnaires, using a self and peer-rating model for continuous improvement.

The Committee reviews annually the required mix of skills and experience for Directors and assesses the contributions of each individual Director. Furthermore, the NC reviews the size and composition of the Board with particular consideration on the impact on the effective functioning of the Board.

Annual assessment on effectiveness of the Board and Board Committees as a whole has been conducted based on specific criteria, include, among others, individual Director's knowledge and experience in the Group's core business, personal qualities, professional skills and business development skills.

The NC had also reviewed and assessed the independence of the Independent Directors based on the Directors' professionalism and integrity in the decision-making process, ability to form independent judgments, as well as objectivity and clarity in deliberations in addition to the specific criteria of independence as set out in the MMLR of Bursa Securities. The results of all assessments and comments by Directors were summarised tabled for review and discussion at the NC meeting. The results and deliberations of the NC would be noted by Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II Board Composition (Cont'd)

5 Board Assessments (Cont'd)

5.1 Overall effectiveness of the Board and individual Directors (Cont'd)

Based on the outcome of evaluation for the financial year under review, the NC and the Board were satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively and the contribution and performance of each individual Director is satisfactory.

The NC believes that the current Board composition is well balanced with the right mix of high-calibre individuals with the necessary skills, qualification, experience, knowledge, credibility, independence and core competencies.

The Memorandum and Articles of Association of the Company provides that an election of Directors shall take place each year and, at the AGM, one-third of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election.

All the Directors shall retire from office once at least in three (3) years but shall be eligible for re-election. The Directors to retire in each year shall be those who have been longest in office since their appointment or reappointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately. The Director who is subject to re-election at next AGM is assessed by the NC before recommendation is made to the Board and shareholders for re-election. Appropriate assessment and recommendation by the NC is based on the annual assessment conducted.

The Board is scheduled to meet at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings with sufficient notice. During FY2018, the Board held four (4) meetings to deliberate and decide on various issues including the Group's financial results, strategic decisions and the direction of the Group.

All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries. In the intervals between Board meetings, approvals are obtained via circular resolutions for exceptional matters requiring urgent Board decision-making which are then supported with information necessary for informed decision-making.

Detail of attendance of each Director at the Board and respective Board Committees meetings held during the financial year under review is as tabulated below:

Directors	Board	AC	NC	RC
Datuk Beh Kim Ling	4/4	-	-	-
Datuk Gan Sem Yam	4/4	-	1/1	2/2
Datin Gan Chu Cheng	4/4	-	-	-
Dato' Gan Tiong Sia	3/4	-	-	-
Ng Yong Kang	3/4	-	-	-
Tan Sri Mohd Nadzmi Bin Mohd Salleh	3/4	3/4	-	-
Pan Swee Keat	4/4	4/4	1/1	2/2
Tang Sim Cheow	4/4	4/4	1/1	2/2
Diong Tai Pew	1/1	-	-	-

The attendance of Diong Tai Pew is counted from the date of his appointment to the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II Board Composition (Cont'd)

5 Board Assessments (Cont'd)

5.1 Overall effectiveness of the Board and individual Directors (Cont'd)

Board meetings are scheduled ahead to enable the Directors to plan and adjust their schedule to ensure good attendance and the expected degree of attention to the Board meeting agenda.

Management personnel and external consultants are also invited to attend the Board meetings as and when required in order to present and advise the members with information and clarification on certain meeting agenda to facilitate informed decision-making.

The Board is satisfied with the time commitment given by the Directors as demonstrated by their attendance at the meetings of the Board and Board Committees.

All the Directors do not hold more than 5 directorships in other public listed companies as required under Paragraph 15.06 of the MMLR of Bursa Securities to enable the Directors to discharge their duties effectively by ensuring that their commitment, resources and time are more focused. The Board members must first notify the Chairman together with indication of time to be spent on new appointment before accepting any new Directorship in other public listed companies so as to ensure that time commitment and responsibilities to the Company will not be affected.

Training

The Board, through the NC, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) within the time frame stipulated in the MMLR.

The Board encourages its Directors to attend relevant training to enhance their skills and knowledge on the relevant new laws and regulations, changing commercial and financial risks to keep abreast with the development in the economy, industry, technology and business environment within which the Group operates. The Directors are regularly updated by the Company Secretaries on key developments in the Companies Act 2016, MMLR of Bursa Securities and the Code.

The Board had, through the NC, undertaken an assessment of the training needs of the Directors and concluded that the Directors are to determine their training needs as they are in the better position to assess their areas of concern.

Nonetheless, the NC had recommended for training to improve financial literary and keep with changes to financial reporting environment as well as understanding the impact of the changes arising from implementation of Companies Act 2016 and other related laws.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II Board Composition (Cont'd)

5 Board Assessments (Cont'd)

5.1 Overall effectiveness of the Board and individual Directors (Cont'd)

Training (Cont'd)

The training attended by Directors for FY2018 encompassed various topics as outlined below:

Directors	Training/Conferences/Seminars	Date
Datuk Beh Kim Ling	• Internal briefing on MFRS 9:Financial Instruments Classification, MFRS 15: Revenue from Contracts with Customers and MFRS 16: Leases	27 June 2018
Datuk Gan Sem Yam	• Internal briefing on MFRS 9: Financial Instruments Classification, MFRS 15: Revenue from Contracts with Customers and MFRS 16: Leases	27 June 2018
Datin Gan Chu Cheng	• Internal briefing on MFRS 9: Financial Instruments Classification, MFRS 15: Revenue from Contracts with Customers and MFRS 16: Leases	27 June 2018
Dato' Gan Tiong Sia	• Internal briefing on MFRS 9: Financial Instruments Classification, MFRS 15: Revenue from Contracts with Customers and MFRS 16: Leases	27 June 2018
Ng Yong Kang	• Internal briefing on MFRS 9: Financial Instruments Classification, MFRS 15: Revenue from Contracts with Customers and MFRS 16: Leases	27 June 2018
Tan Sri Mohd Nadzmi Bin Mohd Salleh	• Sustainability & Management Discussion and Analysis – What A Director Need to Know	21 November 2017
Pan Swee Keat	• Internal briefing on MFRS 9: Financial Instruments Classification, MFRS 15: Revenue from Contracts with Customers and MFRS 16: Leases	27 June 2018
Tang Sim Cheow	• GST Conference 2017 • 2018 Budget • MFRS 15: Revenue Recognition • Internal briefing on MFRS 9: Financial Instruments Classification, MFRS 15: Revenue from Contracts with Customers and MFRS 16: Leases • National Tax Conference 2018	18 & 19 September 2017 23 November 2017 7 December 2017 27 June 2018 16 & 17 July 2018
Diong Tai Pew	• Internal briefing on MFRS 9: Financial Instruments Classification, MFRS 15: Revenue from Contracts with Customers and MFRS 16: Leases • Managing an Effective Whistleblowing Committee	27 June 2018 31 July 2018
Chong Chin Siong	• Bank Negara Malaysia (BNM)'s 2017 Annual Report Briefing on Economic Developments & Outlook	11 April 2018
Beh Chern Wei	• Internal briefing on MFRS 9: Financial Instruments Classification, MFRS 15: Revenue from Contracts with Customers and MFRS 16: Leases • MAP	27 June 2018 23 & 24 July 2018
Gan Pee Yong	• Internal briefing on MFRS 9: Financial Instruments Classification, MFRS 15: Revenue from Contracts with Customers and MFRS 16: Leases • MAP	27 June 2018 23 & 24 July 2018

The Company facilitates the organisation of training programs for Directors and maintain a record of the trainings attended by the Directors.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part III Remuneration

6 Level and composition of Remuneration

6.1 Remuneration policy

The Company has an executive remuneration package in place to attract, retain, motivate and reward Directors of the calibre needed to lead the Group towards success. Essentially, the Board took the approach for the remuneration to be reward based in which remuneration packages will fairly remunerate the executive Board members for their contribution to the Group.

The remuneration package of the executive Board members is structured to ensure that compensation and benefits commensurate with the level of skills and experience and performance of individual executive Board members in addition to performance based targets such as revenue growth and profitability.

The components of the remuneration package for the Executive Directors include fixed salary, fixed fees, allowance, bonus, performance incentive and benefits-in-kind. The Executive Directors played no part in deciding their own remuneration and the respective Board members shall abstain from all discussion pertaining to their remuneration.

As for Non-Executive Directors, the level of remuneration is reflective of their experience, expertise, knowledge, level of responsibilities and the onerous challenges in discharging their fiduciary duties. The determination of Directors' fees for all Directors shall be a matter for the Board as a whole.

The INEDs receive fixed fees.

During the financial year, the RC met twice, attended by all the members to consider the remuneration package for the Executive Directors as well as Directors' fees and benefits payable for all Directors. The RC and the Board has reviewed the fees and benefits for the Directors to ascertain the competitiveness of the current package vis a vis the increased scope of responsibility as well as tighter legislative and regulatory environment. Based on the outcome of the review, the fees and benefits of the Directors were deemed to be reasonable.

All deliberations of the RC are properly documented in the minutes of Committee meetings with results and recommendations of the RC noted by the Board.

6.2 Remuneration Committee ("RC")

The RC comprised majority of INEDs as follows:

Name	Position
Pan Swee Keat	Chairman
Tang Sim Cheow	Member
Datuk Gan Sem Yam	Member

During the year under review, the RC carried out the following activities:

(a) Reviewed and recommended the fee structure and allowances for Directors.
(b) Reviewed and recommended the annual bonus and performance incentive for Executive Directors.
(c) Reviewed and recommended remuneration package of Executive Directors.

The TOR of the RC is available for viewing at the Company's corporate website at www.vs-i.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part III Remuneration (Cont'd)

7 Remuneration of Directors and Senior management

7.1 Details of Directors' Remuneration

All Directors are paid Directors' Fees for serving as members of the Board with the fees appropriate to their contribution, taking into consideration effort, commitment and time spent as well as the responsibilities of the Directors. The payment of these fees is approved by shareholders at each AGM.

The fees for the Directors are endorsed by the Board for approval by the shareholders at the AGM prior to payment.

The remuneration received / receivable by the Directors of the Company for FY2018 is as disclosed in the CG Report.

7.2 Details of top 5 Senior management's remuneration

The Board is aware of the need for transparency in the disclosure of its senior management's (who are not executive Board members) remuneration. Nonetheless, it is of the view that such disclosure could be detrimental to its business interests given the highly competitive human resource environment in which the Group operates where intense headhunting for personnel with the right expertise, knowledge and relevant working experience is the norm. As such, disclosure of specific remuneration information could rise to recruitment and talent retention issues going forward.

The Board ensures that the remuneration of the senior management personnel commensurate with the level of responsibilities, with due consideration in attracting, retaining and motivating senior management to lead and run the Company successfully.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I Audit Committee ("AC")

8 Effective and Independent AC

8.1 Chairman of the AC

The Chairman of the AC is an INED. Details on the composition and other pertinent facts of the AC are outlined under the AC Report in this Annual Report. The TOR of the AC is accessible for viewing of the Company's corporate website at www.vs-i.com.

8.2 Policy requiring former key audit partner to observe 2-year cooling off period

None of the members of the Board were former key audit partners. Hence, no former key audit partner is appointed to the AC.

As such, there was no need to establish such policy presently. The policy will be established when the need arise in future. The Board will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the AC is a former key audit partner.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I Audit Committee ("AC") (Cont'd)

8 Effective and Independent AC (Cont'd)

8.3 Policy and procedures to assess the suitability, objectivity and independence of the external auditor

The Group maintains a transparent and professional relationship with the external auditors in seeking professional advice towards ensuring compliance with accounting standards. The Company's independent external auditors play a critical role for the stakeholders by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial information.

The AC meets up with the external auditors at least twice a year for the external auditors present their audit plan, audit findings and their comments on the Group's financial statements.

The AC also met twice (2) with the external auditors without the presence of the executive Board members and management during the financial year under review, to allow the AC and the external auditors to exchange independent views on crucial areas which require the AC's attention.

The AC has assessed the suitability and independence of the external auditors vis a vis adequacy of experience and resources of the external auditors before deciding to recommend their re-appointment to the Board. This includes reviewing the engagements for provision of non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money. Forbidden engagements include management consulting, strategic decision, internal audit and standard operating policies and procedures documentation.

The AC has considered the non-audit services provided by the external auditors during financial year under review and concluded that the provision of these services did not compromise the external auditors' independence and objectivity. The details of the fees paid/payable in respect of the financial year under review to the external auditors or an affiliated firm of the external auditors are set out in the Additional Compliance Information of this Annual Report.

The external auditors have confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with professional and regulatory requirements.

The AC would look into formalizing a policy on selection, appointment and assessment of external auditors as well as provision of non-audit fees to guide the AC in reviewing the suitability, objectivity and independence of the external auditor of the Company and the provision of non-audit services on an annual basis.

The Board, having considered the recommendations by the AC, is satisfied with the level of independent and performance of the external auditors including quality of audit review procedures, adequacy of audit firm's expertise, its resources to carry out the audit work according to the audit plan and the Board had recommended their re-appointment for shareholders' approval at the forthcoming AGM.

8.4 Composition of the AC

The AC comprised solely of INEDs as the Board observes and values the independence of the AC. The composition, roles and responsibilities and key activities of the AC are set out under the AC Report in this Annual Report.

8.5 Diversity in skills of the AC

The AC currently comprised of members with professional experience in financial, taxation, general management, strategic planning and business environment. All members are financially literate and are able to read, interpret and understand the financial statements. The diversity in skills set coupled with their financial literacy gave the AC the ability to effectively discharge their roles and responsibilities.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Part II Risk management and internal Control

9 Effective risk management and internal control framework

9.1 Establish an effective risk management and internal control

Recognising the importance of risk management, there is a formal and structured Risk Management Framework ("RMF") in place to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.

In line with the MMLR of Bursa Securities and the Code, the Group has also established its internal audit function by setting up an in-house internal audit team, to carry out internal audit of the Group.

The key features of the RMF and details of the Company's internal control system and internal audit's scope of work during the financial year under review are provided in the Statement on Risk management and Internal Control in this Annual Report.

9.2 Disclosure on the features of risk management and internal control framework

The Statement on Risk management and Internal Control in this Annual Report provides an overview on the state of internal controls and risk management within the Group.

Continuous reviews are carried out by the Group's internal audit function and management to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. The findings of the internal audit function are reported to the Audit Committee regularly.

9.3 Establishment of a Risk Management Committee

The Group has a Risk Management Committee ("RMC") led by the Managing Director. The RMC, with support from the in-house internal audit team, has assisted the Board in fulfilling its oversight functions in the risk governance by establishing a sound internal control and risk management framework to manage the various risks faced by the Group with the overall responsibility for overseeing the risk management activities of the Group and approving the appropriate risk management procedures and measurement methodologies across the Group.

10 Effective governance, risk management and internal control

10.1 Effectiveness of the internal audit function
10.2 Disclosure on the internal audit function

The Group has an in-house internal audit function that is independent of the activities and operations it audits. The internal audit function reports directly to the AC on a quarterly basis. The principal role of the internal audit function is to undertake independent, regular and systematic reviews of the internal control system to provide reasonable assurance on the adequacy and integrity of the risk management system, internal control and governance of the Group to safeguard the Group's assets and resources.

It is also the responsibility of the internal audit function to provide the AC with independent and objective reports on the state of internal controls and risk management of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Part II Risk management and Internal Control (Cont'd)

10 Effective governance, risk management and internal control (Cont'd)

10.1 Effectiveness of the internal audit function (Cont'd)
10.2 Disclosure on the internal audit function (Cont'd)

The AC reviews and approves the Internal Audit Plan annually and ensures that adequate resources are in place to facilitate the discharge of duties by the internal audit function. The internal audit team adopts a risk-based approach towards the planning and conduct of their audits, and this is consistent with the Group's approach in designing, implementing and monitoring its internal control system.

The AC also monitors the feedback and reports from the internal audit team on matters relating to non-compliance, weakness in internal control systems and the implementation of agreed corrective action plan to address such inadequacies by the management. The activities of the internal auditors during the financial period are set out in the Statement on Risk management and Internal Control in this Annual Report.

PRINCIPLE C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I Communication with Stakeholders

11 Continuous communication between Company and stakeholders

11.1 Effectiveness and transparent and regular communication with stakeholders

The Board recognises the need for comprehensive, timely and accurate disclosures of all material Company information to the public so as to ensure a credible and responsible market in which participants conduct themselves with the highest standards of due diligence and investors have access to timely and accurate information to facilitate the evaluation of securities.

However, whilst the Group endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The Board observes the Corporate Disclosure Guide as issued by Bursa Securities which is calibrated in line with the disclosure requirements as stipulated in the MMLR of Bursa Securities, and also setting out the protocols for disclosing material information to shareholders and stakeholders.

To ensure thorough public dissemination, the Company has leveraged on information technology including making announcements via Bursa LINK (The Listing Information Network) of Bursa Securities and establishing a dedicated section for "Investors" on the Company's website where updates on the corporate information, financial information, stock information, announcements and corporate governance, among others, can be accessed. The Group Financial Controller is the designated person to address any queries from stakeholders including potential shareholders. The investor relations' email address is also published on the corporate website to ease accessibility by all.

The Company's general meetings remain an informative platform for the shareholders to engage directly with the Company's Directors. Shareholders are encouraged to attend the general meetings and they are given sufficient time and opportunity to participate in the proceedings, raise concerns on the resolutions being proposed and the operations of the Group and also to communicate their expectations on the Group.

All Directors will attend and participate at the Company's general meetings and are available to give response if there is any question addressed to them.

PRINCIPLE C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

Part I Communication with Stakeholders (Cont'd)

11 Continuous communication between Company and stakeholders (Cont'd)

11.2 Integrated Reporting

The Board is of the view that the existing Annual Report provides a holistic overview of the Group's business and operational activities as non-financial information are disclosed through the Sustainability Statement, Management Discussion & Analysis and the Audit Committee Report to complement the financial information.

The present Sustainability Statement has incorporated certain elements of integrated reporting such as organisation overview, governance policies and performance. These represent the Board's commitment towards sustainability and a more comprehensive reporting going forward. Nonetheless, the Board would suggest for an interim period for the awareness of Integrated Reporting to be better appreciated by Management personnel before it is adopted.

Part II Conduct of General Meetings

12 Encourage Shareholder Participation at General Meeting

12.1 Notice for Annual General Meeting

The Board recognises the importance of keeping the shareholders, stakeholders and the general public informed with the Group's business, performance and corporate developments.

The AGM provides a principal platform for the shareholders to interact or engage directly with the Board as well as allowing shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. Question and answer session is conducted to allow for the shareholders to enquire or comment about the Company's financial performance and business operations in general.

The Company Secretary and the Group's external auditors are also available to respond to the queries raised. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholders.

The Company encourage shareholders' participation in AGM by providing adequate notice. The Company had dispatched its Notice of the 35th AGM held in 2017 to shareholders more than twenty-eight (28) days before the date of the meeting to enable shareholders to peruse the annual report and papers supporting the resolutions proposed. Each item of special business included in the Notice of AGM will be accompanied by a full explanation of the effects of the proposed resolution.

Whilst this Annual Report provides a comprehensive source of information on the Group's financial and operational performance, the Board readily avail themselves to answer any such questions that may arise as shareholders may seek more information than what is available in the Annual Report and/or Circulars.

The notice for the upcoming AGM in 2019 will be sent at least twenty-eight (28) days in advance for the shareholders to make the necessary arrangements to attend and participate in person or through corporate representatives or proxies. More importantly, it enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.

PRINCIPLE C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

Part II Conduct of General Meetings (Cont'd)

12 Encourage Shareholder Participation at General Meeting (Cont'd)

12.2 Directors to attend general meetings

A majority of the Directors, particularly the executive Board members as well as the Chairman of the various Board Committees had attended the 35th AGM and Extraordinary General Meeting held on 8 January 2018 and 20 April 2018.

12.3 Leveraging on technology for voting in absentia and remote shareholders' participation

Based on an analysis of the investors, the Company does not have a large number of shareholders. Also, a large majority of investors are Malaysians. Further, all general meetings are held at a hotel which is easily accessible to all shareholders. As such, the concern over voting in absentia and/or remote shareholders' participation at AGM are not applicable.

As of now, the Company encourages participation of shareholders through the issuance of proxies when there is indication that shareholders are unable to attend and vote in person at general meetings.

Statement on Compliance

The Board will continue to strive for sound standards of corporate governance throughout the Group. Presently, the Board is of the view that the Company has, in all material aspects satisfactory complied with the principles and practices set out in the Code, except for the departures set out in the CG Report.

The CG Overview Statement is issued in accordance with a resolution of the Board of Directors dated 12 November 2018.

ADDITIONAL COMPLIANCE **INFORMATION**

(i) Directors' Responsibilities Statement in respect of Financial Statements

The Directors are required by the Companies Act, 2016, to prepare financial statements for each financial year which have been made out in accordance with the applicable Approved Accounting Standards which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

In addition, pursuant to Paragraph 15.26(a) of the MMLR, the Board of Directors must ensure that an additional statement is included in the Company's annual report explaining the Board of Directors' responsibility for preparing the annual audited financial statements.

In preparing the financial statements, the Directors have:

- selected accepted accounting policies and applied them consistently;
- ensured that all applicable accounting standards have been followed and if there are any material departures, to disclose and explain in the financial statements;
- made judgments and estimates that are reasonable and prudent; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time, the financial position of the Group and of the Company and are in compliance with the Companies Act, 2016. The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and have taken reasonable steps for the prevention and detection of fraud and other irregularities.

(ii) Material Contracts

Other than the related party transactions entered into in the ordinary course of business as disclosed in Note 32 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 2018 or entered into since the end of the previous financial year.

(iii) Non-Audit Fees

The amount of audit fees and non-audit fees incurred for the financial year ended 31 July 2018 for services rendered by the Company's external auditors are as follows:-

Fee incurred	Audit Fees (RM'000)	Non-Audit Fees (RM'000)
Company	185	51
Group	359	63

The non-audit services rendered relate mainly to Sustainability Reporting, review of the Statement on Risk Management and Internal Control and tax compliance.

(iv) Employees' Share Option Scheme

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

	Number of options over ordinary shares ('000)		
	Directors	Employees	Total
Total options granted	27,000	140,879	167,879
Adjustment for bonus issue	3,732	16,698	20,430
Total options exercised/lapsed	(18,241)	(85,969)	(104,210)
Total options outstanding	12,491	71,608	84,099

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, 32.64% 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	375,000
Tang Sim Cheow	500,000	325,000
Pan Swee Keat	500,000	100,000

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

At the Annual General Meeting held on 5 January 2018, 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 2017.

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 2018 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	438
VSI Group and VSME/ Serumi	Datuk Gan Sem Yam Dato' Gan Tiong Sia	Sales of plastic or electronic component, parts and products	55

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

Transacting Parties	Related Parties	Nature of Transactions	Amount transacted during the financial year RM'000
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	3,699
VSI Group and Beeantah Pte Ltd	Datuk Gan Sem Yam	Purchases of small metal parts, resins, etc	9,152

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 terms of reference of the Audit Committee are made available on the Company's website 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 approval by the Board;

- 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 exercised on 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 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;
- Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of the overall Internal Audit function;
- Reviewed the audit reports presented by the internal auditors on their findings and recommendations with respect to system and control weaknesses. The Audit Committee then considered those recommendations including the Management's responses thereto, before proposing that those control weaknesses be rectified and recommendations for improvements be implemented.

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 including all the key audit matters raised. 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. The Audit Committee undertook 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 in accordance with the terms of all professional and regulatory requirements;

  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 ("IA"). The main role of the department is to undertake independent, regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems are operating and continue to operate satisfactorily and effectively.

The IA adopts a risk based auditing approach using the International Professional Practices Framework, prioritizing audit assignments based on the Group's business activity, risk management and past audit findings. All internal control deficiencies were reported to the appropriate levels of management when identified.

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 IA 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 RM1.12 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, and 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 quarterly in the 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

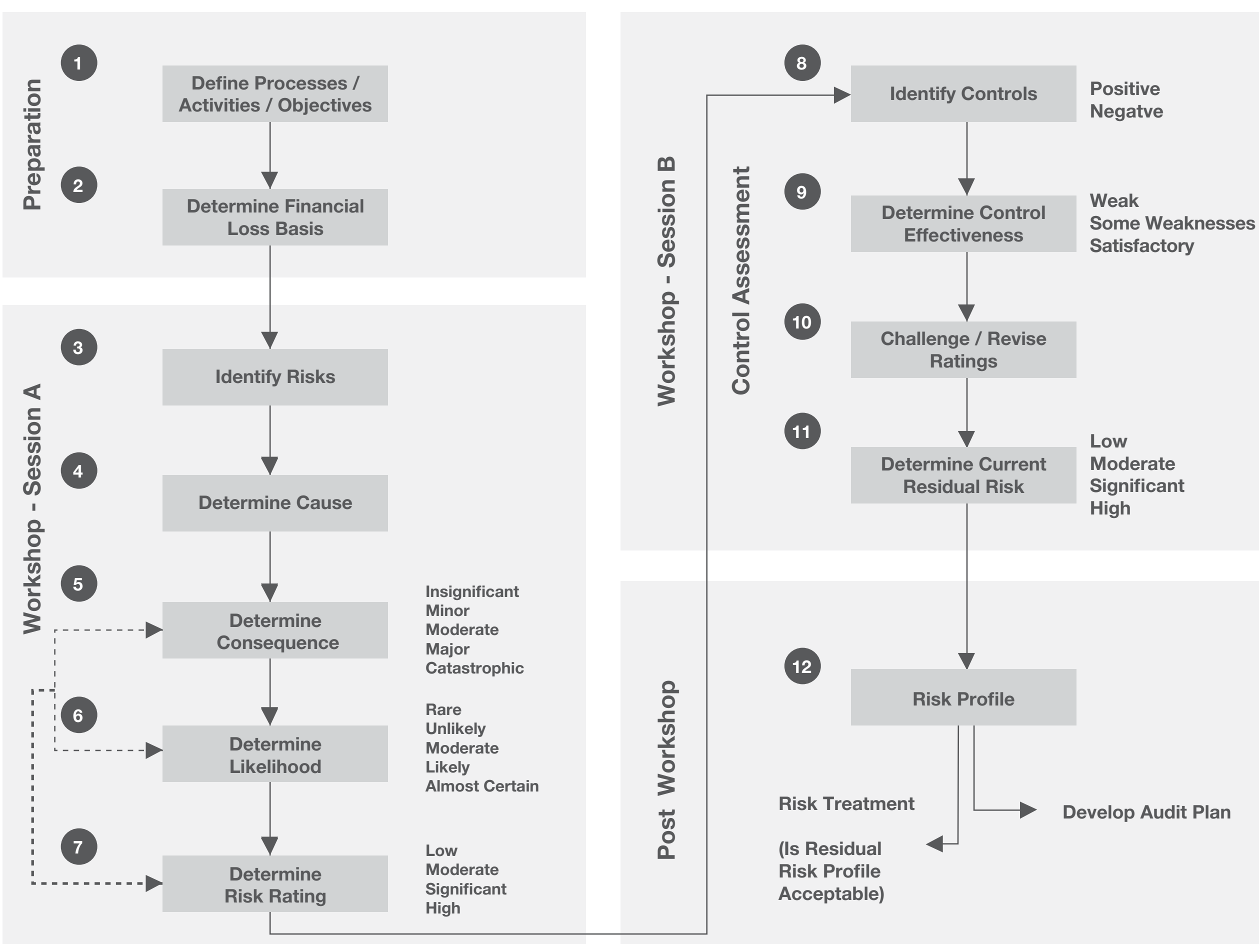
A formal risk management framework has been established with the aim of setting clear guidelines in relation to the level of risks acceptable to the Group. The framework is also designed to ensure proper management of the risks that may impede the achievement of the Group's goals and objectives.

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 co-ordinated 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 Head.

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 parameter 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 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 Group 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.

KEY INTERNAL CONTROL PROCESSES (CONT'D)

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 reviewed the insurance coverage where it is available on economically acceptable terms to minimize 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 weakness 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.

FINANCIAL CONTENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2018.

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	150,766	71,367
Non-controlling interests	(12,532)	--
	138,234	71,367

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 2017 as reported in the Directors' Report of that year:

- a fourth dividend of 1.0 sen per ordinary share totalling RM12,263,284 declared on 27 September 2017 and paid on 27 October 2017; and

- a final dividend of 1.0 sen per ordinary share totalling RM12,994,134 declared on 29 November 2017 and paid on 30 January 2018.

DIVIDENDS (CONT'D)

ii) In respect of the financial year ended 31 July 2018:

- a first dividend of 1.5 sen per ordinary share totalling RM19,781,797 declared on 14 December 2017 and paid on 12 March 2018;
- a second dividend of 1.5 sen per ordinary share totalling RM19,914,165 declared on 28 March 2018 and paid on 27 April 2018;
- a third dividend of 0.5 sen per ordinary share totalling RM8,453,892 declared on 28 June 2018 and paid on 31 July 2018; and
- a fourth dividend of 0.6 sen per ordinary share totalling RM10,405,869 declared on 25 September 2018 and paid on 31 October 2018.

The Directors recommended a final dividend of 0.6 sen per ordinary share totalling RM10,615,814 in respect of the year ended 31 July 2018 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

These financial statements do not reflect the fourth 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 financial year ending 31 July 2019.

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. Beh Chern Wei (Ma Chengwei) (appointed on 2 April 2018)
Mr. Ng Yong Kang	Mr. Gan Pee Yong (appointed on 2 April 2018)
Tan Sri Mohd Nadzmi bin Mohd Salleh	
Mr. Pan Swee Keat	
Mr. Tang Sim Cheow	
Mr. Diong Tai Pew (appointed on 2 April 2018)	

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 2017/ date of appointment**	**Bought/ ESOS Exercised**	**Sold**	**Bonus issue**	**At 31 July 2018**
Company						
Ordinary shares						
Datuk Beh Kim Ling	Direct	104,961	5,200	--	27,540	137,701
	Deemed	146,818	3,607	--	37,216	187,641
Datin Gan Chu Cheng	Direct	97,071	2,558	--	24,641	124,270
	Deemed	154,708	6,249	--	40,115	201,072
Datuk Gan Sem Yam	Direct	71,843	1,062	(2,000)	17,461	88,366
	Deemed	11,066	2,250	--	3,267	16,583
Dato' Gan Tiong Sia	Direct	23,399	1,062	--	5,850	30,311
Mr. Ng Yong Kang	Direct	950	2,175	(700)	238	2,663
	Deemed	--	25	--	--	25
Tan Sri Mohd Nadzmi bin Mohd Salleh	Direct	850	375	--	213	1,438
Mr. Pan Swee Keat	Direct	150	100	--	38	288
Mr. Tang Sim Cheow	Direct	--	325	(200)	--	125
Mr. Chong Chin Siong	Direct	300	500	--	200	1,000
	Deemed	235	5	--	60	300
Mr. Beh Chern Wei (Ma Chengwei)	Direct	16,400	250	--	4,100	20,750
Mr. Gan Pee Yong	Direct	6,066	2,250	--	2,017	10,333

		Number of Warrants ('000)				
Name of Directors	**Interest**	**At 1 August 2017/ date of appointment**	**Bought/ ESOS Exercised**	**Sold**	**Bonus issue**	**At 31 July 2018**
Datuk Beh Kim Ling	Direct	--	1,950	--	488	2,438
	Deemed	350	2,100	(350)	525	2,625
Datin Gan Chu Cheng	Direct	--	1,900	--	475	2,375
	Deemed	350	2,150	(350)	538	2,688
Tan Sri Mohd Nadzmi bin Mohd Salleh	Direct	213	--	--	53	266
Mr. Pan Swee Keat	Direct	13	--	(13)	--	--
Mr. Chong Chin Siong	Direct	1,500	--	(375)	375	1,500
Mr. Beh Chern Wei (Ma Chengwei)	Direct	200	--	--	50	250

DIRECTORS' INTERESTS IN SHARES (CONT'D)

Name of Directors	Interest	Number of ordinary shares ('000) At 1 August 2017/ date of appointment	Bought	Sold	Right issue	At 31 July 2018
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
Subsidiaries						
- 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	118,762	--	--	29,691	148,453
	Deemed	871,473	892	(17,695)	217,368	1,072,038
Datin Gan Chu Cheng	Direct	24,269	--	--	6,067	30,336
	Deemed	965,966	892	(17,695)	240,992	1,190,155
Datuk Gan Sem Yam	Direct	35,737	--	--	8,934	44,671
	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
Mr. Diong Tai Pew	Direct	1,413	--	--	353	1,766
Mr. Beh Chern Wei (Ma Chengwei)	Direct	22,000	--	--	5,000	27,000

DIRECTORS' INTERESTS IN SHARES (CONT'D)

Name of Directors	Interest	Number of shares ('000) At 1 August 2017	Bought	Sold	At 31 July 2018
- V.S. Corporation (Hong Kong) Co., Limited Non-voting deferred share of HKD1.00 each					
Datuk Beh Kim Ling	Direct	3,750	--	--	3,750
	Deemed	3,750	--	--	3,750
Datin Gan Chu Cheng	Direct	3,750	--	--	3,750
	Deemed	3,750	--	--	3,750
Datuk Gan Sem Yam	Direct	3,750	--	--	3,750
Dato' Gan Tiong Sia	Direct	3,750	--	--	3,750

Name of Directors	Interest	Number of ordinary shares At 1 August 2017	Bought	Sold	At 31 July 2018
- 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

Name of Directors	Option Price	Number of options ('000) over ordinary shares of HKD0.05 each At 1 August 2017/ date of appointment	Granted	Lapsed	Adjustment for rights issue	At 31 July 2018
Subsidiaries						
- V.S. International Group Limited						
Datuk Beh Kim Ling	HKD0.31 #	15,000	--	--	508	15,508
Datin Gan Chu Cheng	HKD0.31 #	15,000	--	--	508	15,508
Datuk Gan Sem Yam	HKD0.31 #	15,000	--	--	508	15,508
Dato' Gan Tiong Sia	HKD0.31 #	7,520	--	--	254	7,774
Mr. Tang Sim Cheow	HKD0.31 #	1,512	--	--	51	1,563
Mr. Diong Tai Pew	HKD0.31 #	1,512	--	--	51	1,563
Mr. Beh Chern Wei (Ma Chengwei)	HKD0.31 #	15,000	--	--	508	15,508

\# *The subsidiary completed its rights issue exercise on 11 September 2017 and the option exercise price has been adjusted accordingly.*

DIRECTORS' INTERESTS IN SHARES (CONT'D)

Name of Directors	Option Price	Number of options ('000) over ordinary shares At 1 August 2017/ date of appointment	Exercised	Bonus issue	At 31 July 2018
Company					
Datuk Beh Kim Ling	RM0.56 *	2,550	--	638	3,188
Datin Gan Chu Cheng	RM0.56 *	1,700	(1,062)	425	1,063
Datuk Gan Sem Yam	RM0.56 *	1,700	(1,062)	425	1,063
Dato' Gan Tiong Sia	RM0.56 *	1,700	(1,062)	425	1,063
Mr. Ng Yong Kang	RM0.56 *	3,050	(2,575)	588	1,063
Tan Sri Mohd Nadzmi bin Mohd Salleh	RM0.56 *	400	(375)	100	125
Mr. Tang Sim Cheow	RM0.56 *	400	(325)	50	125
Mr. Pan Swee Keat	RM0.56 *	350	(100)	88	338
Mr. Chong Chin Siong	RM0.56 *	3,670	(500)	793	3,963
Mr. Beh Chern Wei (Ma Chengwei)	RM0.56 *	600	(450)	100	250
Mr. Gan Pee Yong	RM0.56 *	400	(250)	100	250

* *The Company completed its bonus issue exercise on 14 May 2018 and the option exercise price has been adjusted accordingly.*

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 32 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) 3,882,100 new ordinary shares for cash totalling RM2,717,470 arising from the exercise of the employees' share options at an exercise price of RM0.70 per ordinary share;

b) 102,400 new ordinary shares for cash totalling RM145,408 arising from the exercise of the employees' share options at an exercise price of RM1.42 per ordinary share;

c) 15,000,000 new ordinary shares totalling RM10,500,000 at the exercise price of RM0.70 per ordinary share under the shares held-in-trust as disclosed in Note 15 to the financial statements;

d) 110,765,586 new ordinary shares for cash totalling RM182,763,217 arising from the exercise of warrants at RM1.65 per ordinary share;

e) bonus issue of 331,916,885 new ordinary shares on the basis of one (1) bonus share for every four (4) ordinary shares held in the Company capitalised from the share premium account;

f) 10,466,800 new ordinary shares for cash totalling RM5,861,408 arising from the exercise of the employees' share options at an exercise price of RM0.56 per ordinary share;

g) 21,600 new ordinary shares for cash totalling RM24,624 arising from the exercise of the employees' share options at an exercise price of RM1.14 per ordinary share;

h) 3,000,000 new ordinary shares totalling RM1,680,000 at the exercise price of RM0.56 per ordinary share under the shares held-in-trust as disclosed in Note 15 to the financial statement; and

i) 18,158,724 new ordinary shares for cash totalling RM23,969,516 arising from the exercise of warrants at RM1.32 per ordinary shares.

At the Annual General Meeting held on 5 January 2018, 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.

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

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 RM1.32 (prior to the bonus issue in 2018: 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;

ISSUE OF WARRANTS (CONT'D)

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.

128,924,310 (2017: 250) Warrants were exercised during the financial year. As at year end, 206,811,445 (2017: 290,742,537) 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.

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.

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

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 2017**	**Granted**	**Exercised**	**Forfeited**	**At 14 May 2018**
12 May 2015	RM0.70	88,290	--	(15,518)	(541)	72,231
28 February 2017	RM1.42	11,517	--	(1,975)	(747)	8,795
15 September 2017	RM2.23	--	700	--	--	700
		99,807	700	(17,493)	(1,288)	81,726

Date of offer	**Exercise price***	**At 14 May 2018**	**Bonus issue**	**Exercised**	**Forfeited**	**At 31 July 2018**
12 May 2015	RM0.56	72,231	18,057	(16,437)	(148)	73,703
28 February 2017	RM1.14	8,795	2,198	(884)	(588)	9,521
15 September 2017	RM1.78	700	175	--	--	875
		81,726	20,430	(17,321)	(736)	84,099

* *The Company completed its bonus issue exercise on 14 May 2018 and the exercise price has been adjusted accordingly.*

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.

OTHER STATUTORY INFORMATION (CONT'D)

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, except for the loss on disposal of a subsidiary as disclosed in Note 25 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 July 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

The auditors' remuneration is disclosed in Note 21 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

12 November 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 JULY 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Property, plant and equipment	3	873,170	841,043	197,379	129,917
Prepaid lease payments	4	77,575	98,359	--	--
Investment properties	5	4,900	4,900	--	--
Intangible assets	6	--	--	--	--
Investments in subsidiaries	7	--	--	392,779	310,929
Investments in associates	8	68,800	76,885	60,000	60,000
Other investments	9	148,304	40,268	4,727	4,727
Prepayments	10	10,923	7,263	--	--
Deferred tax assets	11	3,066	3,883	--	--
Total non-current assets		1,186,738	1,072,601	654,885	505,573
Inventories	12	539,873	479,814	158,224	88,463
Trade and other receivables	10	939,641	996,017	365,291	197,611
Tax recoverable		1,396	1,302	1,396	1,175
Dividends receivable		--	--	30,000	40,000
Cash and cash equivalents	13	415,636	344,919	45,678	23,508
		1,896,546	1,822,052	600,589	350,757
Assets classified as held for sale	14	18,860	--	--	--
Total current assets		1,915,406	1,822,052	600,589	350,757
Total assets		3,102,144	2,894,653	1,255,474	856,330
Equity					
Share capital	15	603,303	369,109	603,303	369,109
Reserves	15	819,881	688,437	75,712	79,870
Equity attributable to owners of the Company		1,423,184	1,057,546	679,015	448,979
Non-controlling interests	7	220,919	220,410	--	--
Total equity		1,644,103	1,277,956	679,015	448,979
Liabilities					
Loans and borrowings	16	93,758	119,049	49,946	55,404
Due to Directors	17	--	4,322	--	--
Deferred tax liabilities	11	69,141	72,945	12,876	9,018
Total non-current liabilities		162,899	196,316	62,822	64,422
Trade and other payables	18	729,783	818,842	310,633	203,819
Due to Directors	17	4,322	--	--	--
Loans and borrowings	16	551,690	587,832	203,004	139,110
Taxation		9,347	13,707	--	--
Total current liabilities		1,295,142	1,420,381	513,637	342,929
Total liabilities		1,458,041	1,616,697	576,459	407,351
Total equity and liabilities		3,102,144	2,894,653	1,255,474	856,330

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 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Revenue					
Goods sold		4,089,191	3,281,350	1,533,072	526,286
Cost of goods sold		(3,651,973)	(2,822,924)	(1,433,407)	(497,889)
Gross profit		437,218	458,426	99,665	28,397
Other income		37,907	20,259	63,357	114,653
Distribution expenses		(84,926)	(63,480)	(29,588)	(9,530)
Administrative expenses		(151,376)	(142,117)	(40,983)	(32,712)
Other expenses		(32,522)	(29,092)	(1,607)	(18,495)
Results from operating activities		206,301	243,996	90,844	82,313
Finance income		6,467	3,514	1,209	93
Finance costs	19	(29,766)	(23,602)	(11,009)	(5,067)
Net finance costs		(23,299)	(20,088)	(9,800)	(4,974)
Operating profit		183,002	223,908	81,044	77,339
Share of loss of equity accounted associates, net of tax		(6,635)	(235)	--	--
Profit before tax		176,367	223,673	81,044	77,339
Tax expense	20	(38,133)	(65,856)	(9,677)	(475)
Profit for the year	21	138,234	157,817	71,367	76,864
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
Fair value for available for sale financial assets		85,752	--	--	--
		85,752	40,742	--	6,244
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(47,287)	35,988	--	--
Remeasurement of actuarial gain		286	174	--	--
		(47,001)	36,162	--	--
Other comprehensive income for the year		38,751	76,904	--	6,244
Total comprehensive income for the year		176,985	234,721	71,367	83,108

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

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit attributable to:					
Owners of the Company		150,766	156,319	71,367	76,864
Non-controlling interests		(12,532)	1,498	--	--
Profit for the year		138,234	157,817	71,367	76,864
Total comprehensive income attributable to:					
Owners of the Company		202,946	210,813	71,367	83,108
Non-controlling interests		(25,961)	23,908	--	--
Total comprehensive income for the year		176,985	234,721	71,367	83,108
Basic earnings per ordinary share (sen)	22	9.27	10.33		
Diluted earnings per ordinary share (sen)	22	8.56	9.88		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2018

		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	Fair value 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	15													
- 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	23	--	--	--	--	--	--	--	--	--	(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 2018
(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	Fair value 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	15	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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2018
(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	Fair value 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 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
Foreign currency translation differences for foreign operation		--	--	--	--	(33,858)	--	--	--	--	--	(33,858)	(13,429)	(47,287)
Remeasurement of actuarial gain		--	--	--	--	--	--	--	--	--	286	286	--	286
Fair value of available for sale financial assets		--	--	--	--	--	--	85,752	--	--	--	85,752	--	85,752
Total other comprehensive (expense)/income for the year		--	--	--	--	(33,858)	--	85,752	--	--	286	52,180	(13,429)	38,751
Profit for the year		--	--	--	--	--	--	--	--	--	150,766	150,766	(12,532)	138,234
Total comprehensive income for the year		--	--	--	--	(33,858)	--	85,752	--	--	151,052	202,946	(25,961)	176,985
Contributions by and distributions to owners of the Company														
Equity settled share based transaction	15													
- Share option granted		--	--	--	--	--	--	--	5,656	--	--	5,656	1,015	6,671
- Share option exercised		6,532	--	--	--	--	--	--	(6,532)	--	--	--	--	--
- Share option lapsed		--	--	--	--	--	--	--	(278)	--	278	--	--	--
- Shares issued pursuant to ESOS		8,749	--	12,180	--	--	--	--	--	--	--	20,929	--	20,929
- Shares issued pursuant to ESOS Trust Funding ("ETF")		12,180	--	(11,952)	--	--	--	--	--	--	--	228	--	228
Conversion of Warrants		206,733	--	--	--	--	--	--	--	--	--	206,733	--	206,733
Dividends to owners of the Company	23	--	--	--	--	--	--	--	--	--	(73,407)	(73,407)	--	(73,407)
		234,194	--	228	--	--	--	--	(1,154)	--	(73,129)	160,139	1,015	161,154

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

	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	Fair value 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
Disposal of a subsidiary	--	--	--	(14,456)	--	(5,698)	--	--	--	15,348	(4,806)	--	(4,806)
Dilution arising from new issue of shares in a subsidiary	--	--	--	--	--	--	--	--	--	(4,610)	(4,610)	25,455	20,845
	--	--	--	(14,456)	--	(5,698)	--	--	--	10,738	(9,416)	25,455	16,039
Total transactions with owners of the Group	234,194	--	228	(14,456)	--	(5,698)	--	(1,154)	--	(62,391)	150,723	26,470	177,193
Effect of changes in functional currency of a subsidiary	--	--	--	236	--	--	--	--	--	11,733	11,969	--	11,969
Transferred from retained earnings	--	--	--	--	--	1,550	--	--	--	(1,550)	--	--	--
Realisation of revaluation reserve	--	--	--	(2,247)	--	--	--	--	--	2,247	--	--	--
At 31 July 2018	603,303	--	(1,379)	63,202	45,300	9,580	85,752	13,588	(1,792)	605,630	1,423,184	220,919	1,644,103

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2018

		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	15								
- 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	23	--	--	--	--	--	--	(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	15	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.

		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 2017		369,109	--	(1,607)	28,544	12,297	(1,792)	42,428	448,979
Profit for the year/**Total comprehensive income for the year**		--	--	--	--	--	--	71,367	71,367
Contributions by and distributions to owners of the Company									
Equity settled share-based transaction	15								
- Share option granted		--	--	--	--	4,186	--	--	4,186
- Share option exercised		6,532	--	--	--	(6,532)	--	--	--
- Shares issued pursuant to ESOS		8,749	--	12,180	--	--	--	--	20,929
- Shares issued pursuant to ESOS Trust Funding ("ETF")		12,180	--	(11,952)	--	--	--	--	228
Conversion of Warrants		206,733	--	--	--	--	--	--	206,733
Dividends to owners of the Company	23	--	--	--	--	--	--	(73,407)	(73,407)
Total transactions with owners of the Company		234,194	--	228	--	(2,346)	--	(73,407)	158,669
Realisation of revaluation reserve		--	--	--	(605)	--	--	605	--
At 31 July 2018		603,303	--	(1,379)	27,939	9,951	(1,792)	40,993	679,015

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
Profit before tax		176,367	223,673	81,044	77,339
Adjustments for:					
Amortisation of prepaid lease payments	4	2,323	2,638	--	--
Depreciation	3	79,328	75,413	10,703	9,342
Equity settled share-based transactions		6,885	13,681	1,947	3,028
Finance costs	19	27,555	21,845	10,429	4,959
Investment in a subsidiary written off		--	--	--	155
Property, plant and equipment:					
- loss/(gain) on disposal		757	1,413	(224)	3
- written off		13	27	--	--
Write down of obsolete and slow moving inventories		4,803	1,389	1,376	--
Changes in fair value of investment properties		--	(100)	--	--
Gain from a bargain purchase		--	(253)	--	--
Impairment loss/(Reversal) on:					
- trade receivables		(270)	(179)	--	--
- other investments		--	4,042	--	--
- investment in subsidiaries		--	--	(16,800)	16,800
- intangible assets		--	2,881	--	--
- intercompany balances		--	--	--	1,537
- properties		3,000	--	--	--
Finance income		(6,467)	(3,514)	(1,209)	(93)
Share of loss in associates		6,635	235	--	--
Unrealised loss/(gain) on foreign exchange		1,872	(703)	1,606	(701)
Revaluation deficits on properties		--	12,009	--	--
Loss on disposal of a subsidiary	25	16,936	--	--	--
Operating profit before changes in working capital		319,737	354,497	88,872	112,369
Changes in inventories		(84,226)	(170,975)	(71,137)	(66,520)
Changes in trade and other receivables		30,073	(397,101)	(157,185)	(189,030)
Changes in trade and other payables		(9,424)	330,224	89,493	158,347
Cash generated from/(used in) operations		256,160	116,645	(49,957)	15,166
Interest received		6,467	3,514	1,209	93
Tax paid		(45,638)	(43,260)	(6,040)	(242)
Net cash from/(used in) operating activities		216,989	76,899	(54,788)	15,017

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

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from investing activities					
Acquisition of:					
- property, plant and equipment	24	(206,195)	(148,511)	(60,646)	(31,754)
- prepaid lease payments		(305)	--	--	--
- subsidiaries, net of cash and cash equivalents acquired		--	(3,570)	--	--
- investment in subsidiaries		--	--	(62,811)	(39,620)
- investment in an associate		--	(37,146)	--	(30,000)
- other investments		(22,284)	(11,297)	--	(434)
- prepayments		(3,660)	(1,280)	--	--
Proceed from disposal of:					
- a subsidiary net of cash and cash equivalent disposal	25	38,316	--	--	--
- prepaid lease payments		677	--	--	--
- property, plant and equipment		3,558	6,656	224	207
Change in pledged deposits		4,451	(37,395)	--	--
Net cash used in investing activities		(185,442)	(232,543)	(123,233)	(101,601)
Cash flows from financing activities					
Repayment of term loans		(45,212)	(39,250)	(20,361)	(10,766)
Drawdown of term loans		25,620	67,213	25,620	67,213
Payments of finance lease liabilities		(11,052)	(2,039)	(10,224)	(289)
Net drawdown from short term borrowings		(20,767)	241,476	61,102	93,295
Interest paid		(28,385)	(22,273)	(10,429)	(4,959)
Acquisition of non-controlling interests		20,845	1,734	--	--
Proceeds from issuance of shares		227,890	22,415	227,890	22,415
Dividend paid to owners of the Company		(73,407)	(65,153)	(73,407)	(65,153)
Net cash from financing activities		95,532	204,123	200,191	101,756
Exchange differences on translation of the financial statements of foreign operations		(33,858)	28,687	--	--
Net increase in cash and cash equivalents		93,221	77,166	22,170	15,172
Cash and cash equivalents at 1 August		285,654	199,230	23,508	8,336
Effect of exchange rate fluctuation on cash held		(16,026)	9,258	--	--
Cash and cash equivalents at 31 July		362,849	285,654	45,678	23,508

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits with licensed banks	108,165	45,859	6,397	191
Less: Pledged deposits	(40,895)	(45,346)	--	--
	67,270	513	6,397	191
Cash and bank balances	307,471	299,060	39,281	23,317
Bank overdrafts	(11,892)	(13,919)	--	--
	362,849	285,654	45,678	23,508

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 July 2018 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 2018 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 12 November 2018.

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 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*

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 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*

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

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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*.

Currently, the Group recognises revenue from contracts with customers upon the transfer of risks and rewards of ownership to the customers. Under MFRS 15, the Group recognises revenue from contracts with customers when a performance obligation is satisfied, which is when control of the goods underlying the particular performance obligation is transferred to the customers.

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

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

(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 standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required.

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

(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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating 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.

During the financial year, a wholly-owned subsidiary changed its functional currency from US Dollar ("USD") to RM. In prior year, USD was the currency that mainly influences the selling price of the subsidiary's goods as well as its material cost.

Due to a change in underlying transactions, the Directors have carried out an assessment pursuant to MFRS 121, *The Effects of changes in Foreign Exchange Rates* and identified its functional currency as RM. The changes were applied prospectively by the Directors to the financial information in the subsidiary's financial statements.

(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.

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements (Cont'd)

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 12 – Inventories.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(ii) Business combinations (Cont'd)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (Cont'd)

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

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial liabilities (Cont'd)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation (Cont'd)

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

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

Leasehold land	60 - 81 years
Buildings	20 - 50 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment properties (Cont'd)

(ii) Reclassification to/from investment property (Cont'd)

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

(h) Inventories

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

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(ii) Other assets (Cont'd)

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Equity instruments (Cont'd)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Borrowing costs (Cont'd)

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.

(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 contributions 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Employee benefits (Cont'd)

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

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Fair value measurements

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

	Note	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 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/ 1 August 2017		477,714	948,689	89,168	27,443	24,154	1,567,168
Additions		63,990	118,685	14,819	4,453	14,983	216,930
Transfer		20,310	--	--	--	(20,310)	--
Disposals		(4,435)	(10,558)	(1,274)	(4,146)	--	(20,413)
Written off		--	(7,661)	(44)	--	--	(7,705)
Transfer to assets classified as held for sale	14	(15,355)	(910)	--	--	--	(16,265)
Disposal of a subsidiary	25	(27,316)	(46,528)	(2,233)	(1,202)	--	(77,279)
Exchange differences		(19,796)	(43,736)	(4,209)	(1,014)	(1,362)	(70,117)
At 31 July 2018		495,112	957,981	96,227	25,534	17,465	1,592,319

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

	Note	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 (Cont'd)							
Representing items at:							
Cost		82,904	957,981	96,227	25,534	17,465	1,180,111
Directors' valuation - 2017		412,208	--	--	--	--	412,208
		495,112	957,981	96,227	25,534	17,465	1,592,319
Accumulated depreciation							
At 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 2017/1 August 2017		6,154	639,039	60,118	19,730	--	725,041
Depreciation charge		13,777	54,857	7,952	2,742	--	79,328
Disposals		(2,454)	(8,737)	(1,106)	(3,801)	--	(16,098)
Written off		--	(7,648)	(44)	--	--	(7,692)
Transfer to assets classified as held for sale	14	(98)	(910)	--	--	--	(1,008)
Disposal of a subsidiary	25	--	(27,882)	(1,971)	(797)	--	(30,650)
Exchange differences		(589)	(29,629)	(2,806)	(763)	--	(33,787)
At 31 July 2018		16,790	619,090	62,143	17,111	--	715,134
Accumulated impairment losses							
At 1 August 2016		--	1,044	--	--	--	1,044
Exchange differences		--	40	--	--	--	40
At 31 July 2017/1 August 2017		--	1,084	--	--	--	1,084
Impairment loss		3,000	--	--	--	--	3,000
Exchange differences		--	(69)	--	--	--	(69)
At 31 July 2018		3,000	1,015	--	--	--	4,015
Carrying amounts							
At 1 August 2016		391,058	263,497	19,830	5,582	752	680,719
At 31 July 2017/1 August 2017		471,560	308,566	29,050	7,713	24,154	841,043
At 31 July 2018		475,322	337,876	34,084	8,423	17,465	873,170

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 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 2017/1 August 2017	73,870	104,939	15,014	8,209	6,577	208,609
Additions	33,139	18,906	2,360	2,217	9,328	65,950
Disposals	--	(327)	--	(1,326)	--	(1,653)
Net transfer from subsidiaries	12,480	(649)	--	--	--	11,831
Transfer	6,577	--	--	--	(6,577)	--
At 31 July 2018	126,066	122,869	17,374	9,100	9,328	284,737
Representing items at:						
Cost	52,196	122,869	17,374	9,100	9,328	210,867
Directors' valuation - 2017	73,870	--	--	--	--	73,870
	126,066	122,869	17,374	9,100	9,328	284,737
Accumulated depreciation						
At 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 2017/1 August 2017	--	63,468	9,880	5,344	--	78,692
Depreciation charge	1,830	6,178	1,660	1,035	--	10,703
Disposals	--	(327)	--	(1,326)	--	(1,653)
Net transfer from subsidiaries	--	(384)	--	--	--	(384)
At 31 July 2018	1,830	68,935	11,540	5,053	--	87,358
Carrying amounts						
At 1 August 2016	65,407	19,988	1,903	1,796	--	89,094
At 31 July 2017/1 August 2017	73,870	41,471	5,134	2,865	6,577	129,917
At 31 July 2018	124,236	53,934	5,834	4,047	9,328	197,379

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

3.1 Carrying amounts of land and buildings

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At valuation				
Land	62,374	63,655	22,570	22,570
Buildings	333,974	397,318	49,875	51,300
At cost				
Land	22,350	3,107	19,323	--
Buildings	56,624	7,480	32,468	--
	475,322	471,560	124,236	73,870

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
2017		
Land	62,768	22,570
Buildings	349,440	51,300
	412,208	73,870

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. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

3.3 Leased plant and machinery and motor vehicles

At 31 July 2018, the net carrying amount of leased plant and equipment of the Group and of the Company was RM31,893,000 (2017: RM30,570,000) and RM2,506,000 (2017: RM11,435,000) 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 RM182,710,000 (2017: RM214,043,000) are pledged as security for banking facilities granted to the said subsidiaries (see Note 16).

3.5 Impairment loss

During the year, the Group acquired hostel properties for a total consideration of RM26,000,000. The Group has assessed the recoverable amount of the hostel properties and recognised an impairment loss of RM3,000,000.

The recoverable amount of the hostel properties is determined by Directors by reference to the valuation conducted in July 2018 by an independent professional valuer.

The impairment loss is recognised as other expenses in the statement of profit or loss and other comprehensive income.

3.6 Others

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Land	23,198	30,176	11,717	11,717
Buildings	111,078	119,667	24,511	25,183
	134,276	149,843	36,228	36,900

Motor vehicles of the Group and of the Company with carrying amount of RM1,086,000 (2017: RM1,564,000) and RM952,000 (2017: RM1,365,000) 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 RM830,000 (2017: RM428,000) at a rate of 5.30% (2017: 4.34%) per annum.

4. PREPAID LEASE PAYMENTS

	Note	Land RM'000
Group		
At cost		
At 1 August 2016		107,852
Exchange differences		4,306
At 31 July 2017/1 August 2017		112,158
Additions		305
Disposals		(677)
Disposal of a subsidiary	25	(9,722)
Transfer to assets classified as held for sale	14	(4,147)
Exchange differences		(7,006)
At 31 July 2018		90,911
Accumulated amortisation		
At 1 August 2016		10,734
Amortisation charge		2,638
Exchange differences		427
At 31 July 2017/1 August 2017		13,799
Amortisation charge		2,323
Disposal of a subsidiary	25	(1,261)
Transfer to assets classified as held for sale	14	(544)
Exchange differences		(981)
At 31 July 2018		13,336
Carrying amounts		
At 1 August 2016		97,118
At 31 July 2017/1 August 2017		98,359
At 31 July 2018		77,575

Prepaid lease payments of certain subsidiaries with carrying amount of RM68,305,000 (2017: RM86,242,000) are pledged as security for banking facilities granted to the said subsidiaries (see Note 16).

5. INVESTMENT PROPERTIES

	Group	
	2018 RM'000	2017 RM'000
At 1 August 2017/2016	4,900	4,800
Changes in fair value	--	100
At 31 July	4,900	4,900

5. INVESTMENT PROPERTIES (CONT'D)

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

	Group	
	2018 RM'000	2017 RM'000
Rental income	154	237
Direct operating expenses		
- income generating	18	17

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	Level 3	
	2018 RM'000	2017 RM'000
Group		
Land	1,630	1,630
Buildings	3,270	3,270
	4,900	4,900

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 2018 by independent professional valuers.

6. INTANGIBLE ASSETS

	Group	
	2018 RM'000	**2017 RM'000**
License, royalties and other fees		
Cost	2,718	2,718
Less: Impairment loss	(2,881)	(2,881)
Add: Exchange difference	163	163
	--	--

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.

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 in the prior financial year. The impairment loss was 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	
	2018 RM'000	**2017 RM'000**
Cost	399,441	334,391
Less: Impairment loss	(6,662)	(23,462)
	392,779	310,929

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
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

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
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
Skreen Fabric (M) Sdn. Bhd.	Manufacturing screen fabric printing, filter components and other related products	Malaysia	100	60
V.S. Holdings (M) Ltd	Investment holding - struck off during the year	Mauritius	--	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	43.34	43.49
Subsidiaries of V.S. International Group Limited@				
V.S. International Industry Limited	Investment holding	British Virgin Islands	43.34	43.49
V.S. Investment Holdings Limited	Dormant	British Virgin Islands	43.34	43.49
V.S. Corporation (Hong Kong) Co., Limited	Trading of electronic products, parts and components and investment holding	Hong Kong	43.34	43.49
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	43.34	43.49

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiaries of V.S. International Group Limited@ (Cont'd)				
Haivs Industry (Qingdao) Co., Ltd.	Dormant	People's Republic of China	43.34	43.49
Qingdao GS Electronics Plastic Co., Ltd.^	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	--	43.49
Qingdao GP Electronic Plastics Co., Ltd.*	Dormant	People's Republic of China	43.34	43.49
Qingdao GP Precision Mold Co., Ltd.	Dormant	People's Republic of China	43.34	43.49
VSA Holding Hong Kong Co., Limited	Investment holding	Hong Kong	43.34	43.49
VSA Electronics Technology (Zhuhai) Co., Ltd.	Assembling and selling of electronic products, parts and components	People's Republic of China	43.34	43.49
V.S. Industry (Zhuhai) Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	43.34	43.49
V.S. Holding Vietnam Limited	Investment holding	British Virgin Islands	43.34	43.49
V.S. Industry Holding Limited	Investment holding	Hong Kong	43.34	43.49
V.S. ECO-TECH (Zhuhai) Co., Ltd.	Dormant	People's Republic of China	43.34	43.49
V.S. Industrial Product Design (Zhuhai) Co., Ltd.	Product design and trading of electronic products, parts and components	People's Republic of China	43.34	43.49
Energy Ally Global Limited	Investment holding	British Virgin Islands	43.34	43.49
Zhuhai Deyuan Energy Conservation Technology Company Limited	Operation and management of rooftop solar plant	People's Republic of China	43.34	43.49

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiary of VS Marketing & Engineering Pte. Ltd.@				
Serumi International Private Limited	Design and sale of healthcare products	Singapore	49.30	49.30
Subsidiary of V S International Venture Pte. Ltd.@				
Guardian South East Asia Pte. Ltd.	Trading of driver safety products	Singapore	100	100
VSB Technology Pte. Ltd.	Investment and intellectual properties holding	Singapore	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	100	60

@ *Audited by other firms of accountants*
* *Transferred to assets classified as held for sales (see Note 14)*
^ *Disposed during the year (see Note 25)*

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:

	2018 V. S. International Group Limited	Other individually immaterial subsidiaries	Total
NCI percentage of ownership interest and voting interest	56.66%		
	RM'000	**RM'000**	**RM'000**
Carrying amount of NCI	221,348	(429)	220,919
Loss allocated to NCI	(12,432)	(100)	(12,532)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	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

	Group	
	2018 RM'000	**2017 RM'000**
V. S. International Group Limited		
Summarised financial information before intra-group elimination		
As at 31 July		
Non-current assets	420,858	498,517
Current assets	302,108	332,899
Non-current liabilities	(38,819)	(71,008)
Current liabilities	(291,166)	(377,208)
Net assets	392,981	383,200
Year ended 31 July		
Revenue	693,410	804,623
(Loss)/Profit for the year	(21,941)	5,725
Total comprehensive (expense)/income	(21,941)	35,157
Cash flows (used in)/from operating activities	(1,016)	80,146
Cash flows used in investing activities	(14,567)	(58,160)
Cash flows from/(used in) financing activities	38,169	(21,069)
Net increase in cash and cash equivalents	22,586	917
Dividends paid to NCI	--	--

7.2 Acquisition of non-controlling interests in a subsidiary

Skreen Fabric (M) Sdn. Bhd.

On 9 February 2018, the Company acquired an additional 40% interest in Skreen Fabric (M) Sdn. Bhd. for RM6,800,000 in cash, thereby increasing its ownership in Skreen Fabric (M) Sdn. Bhd. from 60% to 100%. The carrying amount net assets of Skreen Fabric (M) Sdn. Bhd. on the date of acquisition was RM13,114,000. The Group recognised a decrease in non-controlling interest of RM5,241,000, and decrease in retained earnings of RM1,559,000.

8. INVESTMENTS IN ASSOCIATES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
At cost				
Unquoted shares	92,198	92,198	76,623	76,623
Share of post-acquisition reserves	(11,747)	(3,662)	--	--
	80,451	88,536	76,623	76,623
Less: Impairment loss	(11,651)	(11,651)	(16,623)	(16,623)
	68,800	76,885	60,000	60,000

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 2018 %	Effective ownership interest and voting interest 2017 %
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	25.00
NEP Holdings (Malaysia) Berhad	Malaysia	Designing, manufacturing and distributing water filtration systems	20.00	20.00

8. INVESTMENTS IN ASSOCIATES (CONT'D)

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 2018 RM'000	NEP Holdings (Malaysia) Berhad 2018 RM'000	Total 2018 RM'000	VS Industry Vietnam Joint Stock Company 2017 RM'000	NEP Holdings (Malaysia) Berhad 2017 RM'000	Total 2017 RM'000
Group						
Summarised financial information						
As at 31 July/30 June						
Non-current assets	22,344	77,494		88,320	82,531	
Current assets	92,342	171,206		120,371	173,616	
Non-current liabilities	(14,861)	(10,573)		(9,232)	(10,840)	
Current liabilities	(100,853)	(35,809)		(156,069)	(66,054)	
Net assets	(1,028)	202,318		43,390	179,253	
Year ended 31 July/30 June						
(Loss)/Profit from continuing operations/Total comprehensive (expense)/ income	(43,468)	19,930		(24,636)	40,698	
Included in the total comprehensive income is:						
Revenue	189,659	158,997		225,262	251,167	
Reconciliation of net assets to carrying amount						
As at 31 July/30 June						
Group's share of net assets	--	38,651	38,651	3,393	35,851	39,244
Goodwill	--	30,149	30,149	--	30,149	30,149
Exchange differences	--	--	--	7,492	--	7,492
Carrying amount in statement of financial position	--	68,800	68,800	10,885	66,000	76,885
Group' shares of results						
Year ended 31 July/30 June						
Group's share of (loss)/profit and total comprehensive (expense)/income	(10,635)	4,000	(6,635)	(6,235)	6,000	(235)
Other Information						
Dividends received by the Group	--	1,200	1,200	--	--	--

9. OTHER INVESTMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Available-for-sale financial assets	162,612	55,330	4,727	4,727
Less: Impairment loss	(11,665)	(11,665)	--	--
Exchange difference	(2,643)	(3,397)	--	--
	148,304	40,268	4,727	4,727
Fair value gains/(losses) arising on:				
Available-for-sale financial assets				
- recognised in profit or loss	--	(4,042)	--	--
- recognised in other comprehensive income	85,752	--	--	--

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Prepayments	32,547	29,030	--	--
Less: Impairment loss	(20,240)	(21,624)	--	--
Exchange differences	(1,384)	(143)	--	--
	10,923	7,263	--	--
Current				
Trade receivables	848,429	911,724	317,164	147,865
Other receivables, deposits and prepayments	87,152	77,198	26,678	19,002
Due from associates - trade	4,060	7,095	--	--
Due from subsidiaries				
- trade	--	--	13,932	27,670
- non-trade	--	--	7,517	3,074
	939,641	996,017	365,291	197,611
	950,564	1,003,280	365,291	197,611

Included in the non-current prepayments were prepayment of CNY34.0 million (approximately RM20.2 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 CNY44.0 million (approximately RM26.1 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 CNY34.0 million (approximately RM20.2 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.

10. TRADE AND OTHER RECEIVABLES (CONT'D)

The trade amounts due from subsidiaries are subject to normal trade terms. The 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:

	Assets		Liabilities		Net	
Group	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Property, plant and equipment						
- capital allowances	--	--	(26,096)	(23,592)	(26,096)	(23,592)
- revaluation	--	--	(17,778)	(26,281)	(17,778)	(26,281)
- fair value adjustments	--	--	(26,415)	(26,415)	(26,415)	(26,415)
Deductible temporary differences	4,203	4,890	--	--	4,203	4,890
Others	11	2,336	--	--	11	2,336
Tax assets/(liabilities)	4,214	7,226	(70,289)	(76,288)	(66,075)	(69,062)
Set off of tax	(1,148)	(3,343)	1,148	3,343	--	--
Net tax assets/(liabilities)	3,066	3,883	(69,141)	(72,945)	(66,075)	(69,062)

	Company	
	2018 RM'000	**2017 RM'000**
Property, plant and equipment		
- capital allowances	(8,345)	(5,892)
- revaluation	(6,006)	(6,195)
Deductible temporary differences	1,468	733
Unabsorbed capital allowances	7	2,267
Unutilised tax losses	--	69
	(12,876)	(9,018)

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

Movement in temporary differences during the year:

	At 1.8.2017 RM'000	Recognised in profit or loss (Note 20) RM'000	Exchange differences RM'000	At 31.7.2018 RM'000
Group				
Property, plant and equipment				
- capital allowances	(23,592)	(3,209)	705	(26,096)
- revaluation	(26,281)	6,051	2,452	(17,778)
- fair value adjustments	(26,415)	--	--	(26,415)
Deductible temporary differences	4,890	(212)	(475)	4,203
Others	2,336	(2,325)	--	11
	(69,062)	305	2,682	(66,075)

	At 1.8.2016 RM'000	Recognised in profit or loss (Note 20) RM'000	Recognised in other comprehensive income RM'000	Exchange differences RM'000	Acquisition of subsidiaries RM'000	At 31.7.2017 RM'000
Group						
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)

	At 1.8.2017 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.7.2018 RM'000
Company			
Property, plant and equipment			
- capital allowance	(5,892)	(2,453)	(8,345)
- revaluation	(6,195)	189	(6,006)
Deductible temporary differences	733	735	1,468
Unabsorbed capital allowances	2,267	(2,260)	7
Unutilised tax losses	69	(69)	--
	(9,018)	(3,858)	(12,876)

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

	At 1.8.2016 RM'000	Recognised in profit or loss (Note 20) 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)

Unrecognised deferred tax assets

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

	Group	
	2018 RM'000	2017 RM'000
Unutilised tax losses	61,353	56,439
Taxable temporary differences	(1,107)	(1,037)
	60,246	55,402

The unutilised tax losses does not expire under current tax legislation other than of RM48.4 million arose from subsidiaries incorporated in the People's Republic of China which will expire between 2019 to 2023. 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 2018	Malaysia RM'000	China RM'000	Others RM'000	Total RM'000
Raw materials	304,640	34,729	27,338	366,707
Work-in-progress	61,073	12,504	2,740	76,317
Finished goods	65,220	21,751	6,214	93,185
Packing materials	3,664	-	-	3,664
	434,597	68,984	36,292	539,873
Recognised in profit or loss :				
- Inventories recognised as cost of sales	2,758,800	599,168	289,202	3,647,170
- Write down of obsolete and slow moving inventories	1,177	5,548	(1,922)	4,803

12. INVENTORIES (CONT'D)

Group 2017	Malaysia RM'000	China RM'000	Others RM'000	Total RM'000
Raw materials	249,500	29,658	33,229	312,387
Work-in-progress	32,092	16,000	4,014	52,106
Finished goods	64,974	38,779	10,586	114,339
Packing materials	982	-	-	982
	347,548	84,437	47,829	479,814
Recognised in profit or loss :				
- Inventories recognised as cost of sales	1,988,915	673,924	158,696	2,821,535
- Write down of obsolete and slow moving inventories	-	(662)	2,051	1,389

	Company	
	2018 RM'000	2017 RM'000
Raw materials	108,875	63,004
Work-in-progress	43,096	18,972
Finished goods	2,589	5,505
Packing materials	3,664	982
	158,224	88,463
Recognised in profit or loss :		
- Inventories recognised as cost of sales	1,432,031	497,889
- Write down of obsolete and slow moving inventories	1,376	-

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed banks	108,165	45,859	6,397	191
Cash and bank balances	307,471	299,060	39,281	23,317
	415,636	344,919	45,678	23,508

Included in the deposits placed with licensed banks of the Group is RM40,895,000 (2017: RM45,346,000) pledged for bank facilities granted to certain subsidiaries.

14. ASSETS CLASSIFIED AS HELD FOR SALE

On 19 July 2018, the Group entered into a sale and purchase agreement to dispose its entire equity interest in Qingdao GP Electronic Plastics Co., Ltd ("Qingdao GP"), for a total cash consideration of RM16,073,000.

As at 31 July 2018, the assets classified as held for sale comprise the following:

	Group	
	2018 RM'000	2017 RM'000
Buildings, plant and machinery	15,257	--
Prepaid lease payments	3,603	--
	18,860	--

The above disposal has been completed on 6 November 2018.

15. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2018 RM'000	2017 RM'000	2018 '000	2017 '000
Ordinary shares:				
Issued and fully paid:				
At 1 August	369,109	235,169	1,203,837	1,175,844
Shares issued under ESOS	8,749	5,595	14,473	11,993
Shares held under trust	12,180	8,700	18,000	16,000
Share option exercised	6,532	5,772	--	--
Conversion of Warrants	206,733	--	128,924	--
Bonus issue	--	--	331,917	--
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 15.1)	--	113,873	--	--
At 31 July	603,303	369,109	1,697,151	1,203,837

15. CAPITAL AND RESERVES (CONT'D)

15.1 Included in share capital is share premium amounting to RM47,489,623 (2017: 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).

During the year, the Company completed its bonus issue of 331,916,885 new ordinary shares on the basis of one (1) bonus share for every four (4) ordinary shares held in the Company, in which RM66,383,377 was capitalised from share premium.

Reserves

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable				
Revaluation reserve	63,202	79,669	27,939	28,544
Exchange fluctuation reserve	45,300	79,158	--	--
Capital reserve	9,580	13,728	--	--
Fair value reserve	85,752	--	--	--
Employee share-based reserve	13,588	14,742	9,951	12,297
Treasury shares	(1,792)	(1,792)	(1,792)	(1,792)
Shares held under trust	(1,379)	(1,607)	(1,379)	(1,607)
	214,251	183,898	34,719	37,442
Distributable				
Retained earnings	605,630	504,539	40,993	42,428
	819,881	688,437	75,712	79,870

Revaluation reserve

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

Exchange fluctuation reserve

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

Capital reserve

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

Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of available for sale financial assets.

15. CAPITAL AND RESERVES (CONT'D)

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	
- 15 September 2017	700	- 50% of the options issued for fourth and fifth calendar year	2 years

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

	2018		2017	
	Weighted average exercise price RM	Number of options ('000)	Weighted average exercise price RM	Number of options ('000)
Outstanding at 1 August	0.78	99,807	0.70	120,301
Granted during the year	2.23	700	1.42	13,179
Adjustment for bonus issue during the year	--	20,430	--	--
Forfeited during the year	1.08	(2,024)	0.93	(1,696)
Exercised during the year	0.69	(34,814)	0.73	(31,977)
Outstanding at 31 July	0.64	84,099	0.78	99,807

The options outstanding at 31 July 2018 have an exercise price in the range of RM0.56 to RM1.78 (2017: RM0.70 to RM1.42) and a weighted average contractual life of 1 year (2017: 2 years).

15. CAPITAL AND RESERVES (CONT'D)

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:

	2018	2017
Fair value at grant date	RM0.39	RM0.31
Share price at grant date	RM2.48	RM1.56
Expected volatility (weighted average volatility)	455.00%	35.91%
Option life (expected weighted average life)	2 years	3 years
Expected dividends	3.90%	3.53%
Risk-free interest rate (based on Malaysian Government Securities)	3.32%	3.23%

Value of employee services received for issue of share options

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total expense recognised as equity settled share-based transactions	6,885	13,681	1,947	3,028

Treasury shares

At the Annual General Meeting held on 5 January 2018, 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 its own shares from the open market.

At 31 July 2018, a total of 5,916,680 (2017: 5,916,680) repurchased shares are being held as treasury shares. The number of outstanding ordinary shares in issue after the set off is 1,691,233,995 (2017: 1,197,919,900).

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 by cash 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.

15. CAPITAL AND RESERVES (CONT'D)

Shares held under trust (Cont'd)

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

	2018 RM'000	2017 RM'000
As at 1 August	1,607	4,396
Subscription of new shares	(12,180)	(11,200)
Exercise of ESOS options by eligible employees via ETF mechanism	11,952	8,411
As at 31 July	1,379	1,607

16. LOANS AND BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Secured				
Term loans	7,792	34,040	--	--
Finance lease liabilities	15,324	18,792	1,418	8,760
	23,116	52,832	1,418	8,760
Unsecured				
Term loans	70,642	66,217	48,528	46,644
	93,758	119,049	49,946	55,404
Current				
Secured				
Term loans	24,728	26,035	--	--
Bank overdrafts	11,892	13,919	--	--
Trust receipts	108,787	88,410	--	--
Short term loan	--	19,080	--	--
Finance lease liabilities	8,163	6,922	454	2,076
	153,570	154,366	454	2,076
Unsecured				
Revolving credits	15,000	15,000	15,000	15,000
Term loans	38,104	34,566	21,927	18,552
Bankers' acceptances	131,923	202,356	101,698	62,413
Trust receipts	180,226	167,142	63,925	41,069
Short term loan	32,867	14,402	--	--
	398,120	433,466	202,550	137,034
	551,690	587,832	203,004	139,110
	645,448	706,881	252,950	194,514

16. LOANS AND BORROWINGS (CONT'D)

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 28.5.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Group			Company		
	Future minimum lease payments RM'000	**Interest RM'000**	**Present value of minimum lease payments RM'000**	**Future minimum lease payments RM'000**	**Interest RM'000**	**Present value of minimum lease payments RM'000**
2018						
Less than one year	9,691	1,528	8,163	530	76	454
Between one and five years	16,503	1,179	15,324	1,529	111	1,418
	26,194	2,707	23,487	2,059	187	1,872
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

16. LOANS AND BORROWINGS (CONT'D)

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	At 1 August 2017 RM'000	Net changes from financing cash flows RM'000	Exchange differences RM'000	Disposal of a subsidiary RM'000	Finance lease liabilities obtained during the year RM'000	At 31 July 2018 RM'000
Group						
Term loans	160,858	(19,592)	--	--	--	141,266
Finance lease liabilities	25,714	(11,052)	--	--	8,825	23,487
Trust receipts	255,552	32,422	1,039	--	--	289,013
Short term loan	33,482	17,244	--	(17,859)	--	32,867
Revolving credits	15,000	--	--	--	--	15,000
Bankers' acceptances	202,356	(70,433)	--	--	--	131,923
Total liabilities from financing activities	692,962	(51,411)	1,039	(17,859)	8,825	633,556
Company						
Term loans	65,196	5,259	--	--	--	70,455
Finance lease liabilities	10,836	(10,224)	--	--	1,260	1,872
Trust receipts	41,069	21,817	1,039	--	--	63,925
Revolving credits	15,000	--	--	--	--	15,000
Bankers' acceptances	62,413	39,285	--	--	--	101,698
Total liabilities from financing activities	194,514	56,137	1,039	--	1,260	252,950

17. DUE TO DIRECTORS

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

During the financial year, the amounts due to Directors are unsecured, interest free and repayable on demand. Accordingly, the amounts have been reclassified from non-current to current.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables	582,772	671,403	202,933	147,156
Other payables and accrued expenses	147,011	147,439	36,831	25,644
Due to subsidiaries				
- trade	--	--	70,869	31,019
	729,783	818,842	310,633	203,819

Included in other payables and accrued expenses are:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment creditors	15,098	14,018	5,162	1,118
Sundry creditors	48,781	37,943	12,143	11,654
Accrued expenses	74,651	67,546	19,526	12,872
Progress billings to customers	8,481	27,932	--	--
	147,011	147,439	36,831	25,644

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

19. FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	28,385	22,273	10,429	4,959
Less: Amount capitalised in property, plant and equipment	(830)	(428)	--	--
	27,555	21,845	10,429	4,959
Add: Other financing cost	2,211	1,757	580	108
	29,766	23,602	11,009	5,067

20. TAX EXPENSE

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current tax expense				
- Current year	39,037	46,788	4,804	25
- Prior years	(599)	1,161	1,015	(52)
	38,438	47,949	5,819	(27)
Deferred tax (income)/expense				
- Origination and reversal of temporary differences	428	17,671	3,828	(424)
- (Over)/Under provision in prior years	(733)	236	30	926
	(305)	17,907	3,858	502
Total tax expense	38,133	65,856	9,677	475
Reconciliation of tax expense				
Profit before tax	176,367	223,673	81,044	77,339
Income tax calculated using Malaysian tax rate of 24%	42,328	53,682	19,451	18,561
Effect of different tax rates in foreign jurisdictions	(2,791)	3,628	--	--
Deferred tax assets not recognised in subsidiaries	(1,163)	(5,003)	--	--
Non-deductible expenses	7,419	14,155	3,837	7,440
Non-taxable income	(280)	--	(11,558)	(26,400)
Utilisation of tax incentives	(6,048)	(2,003)	(3,098)	--
	39,465	64,459	8,632	(399)
(Over)/Under provision in prior years	(1,332)	1,397	1,045	874
Total tax expense	38,133	65,856	9,677	475

21. PROFIT FOR THE YEAR

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year is arrived at after charging/ (crediting)				
Audit fees				
- KPMG PLT	359	299	185	173
- Other auditors	1,235	1,352	--	--
Non-audit fees				
- KPMG PLT	16	11	16	11
- Local affiliates of KPMG PLT	47	170	35	170
- Other auditors	539	141	--	--
Amortisation of prepaid lease payments	2,323	2,638	--	--
Write down of obsolete and slow moving inventories	4,803	1,389	1,376	--
Depreciation	79,328	75,413	10,703	9,342
Impairment loss/(Reversal) on:				
- Trade receivables	(270)	(179)	--	--
- Other investments	--	4,042	--	--
- Investment in subsidiaries	--	--	(16,800)	16,800
- Intercompany balances	--	--	--	1,537
- Intangible assets	--	2,881	--	--
- Properties	3,000	--	--	--
Investment in a subsidiary written off	--	--	--	155
Loss on disposal of a subsidiary	16,936	--	--	--
Operating lease rental	5,302	5,416	--	--
Personnel expenses (including key management personnel):				
- Contributions to state plans	12,674	9,940	5,088	3,913
- Wages, salaries and others	472,525	390,936	132,836	72,135
- Equity settled share-based transactions	6,885	13,681	1,947	3,028
Rental of premises	23,394	10,534	6,355	2,098
Changes in fair value of investment properties	--	(100)	--	--
Foreign exchange:				
- Unrealised loss/(gain)	1,872	(703)	1,606	(701)
- Realised gain	(18,712)	(8,232)	(14,747)	(3,861)
Dividend income from subsidiaries	--	--	(30,000)	(110,000)
Property, plant and equipment:				
- Written off	13	27	--	--
- Loss/(Gain) on disposal	757	1,413	(224)	3
Rental income	(1,241)	(1,724)	(294)	(10)
Revaluation deficits on properties	--	12,009	--	--

22. 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	
	2018 RM'000	**2017 RM'000**
Profit for the year attributable to owners	150,766	156,319

	Group	
	2018 '000	**2017 '000**
Weighted average number of ordinary shares at 31 July	1,626,192	1,513,331

	2018	**2017**
Basic earnings per ordinary share (sen)	9.27	10.33

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 July 2018 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	
	2018 RM'000	**2017 RM'000**
Profit for the year attributable to owners (diluted)	150,766	156,319

Weighted average number of ordinary shares (diluted):

	Group	
	2018 RM'000	**2017 RM'000**
Weighted average number of ordinary shares (basic)	1,626,192	1,513,331
Effect of share options in issue	58,506	65,906
Effect of conversation of warrants	75,712	2,189
Weighted average number of ordinary shares (diluted) at 31 July	1,760,410	1,581,426

	2018	**2017**
Diluted earnings per ordinary share (sen)	8.56	9.88

The basic and diluted weighted average number of ordinary shares of the previous year were restated to reflect the retrospective adjustments arising from the bonus issue completed on 14 May 2018 in accordance with MFRS 133, *Earnings Per Share*.

23. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2018			
Fourth dividend 2017	1.0	12,263	27 October 2017
Final dividend 2017	1.0	12,994	30 January 2018
First dividend 2018	1.5	19,782	12 March 2018
Second dividend 2018	1.5	19,914	27 April 2018
Third dividend 2018	0.5	8,454	31 July 2018
		73,407	
2017			
Fourth dividend 2016	0.8	9,366	28 October 2016
Final dividend 2016	0.8	9,405	25 January 2017
First dividend 2017	1.2	14,175	15 March 2017
Second dividend 2017	1.2	14,241	12 May 2017
Third dividend 2017	1.5	17,966	28 July 2017
		65,153	

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 dividend 2018	0.6	10,406	31 October 2018
Final dividend 2018	0.6	10,616	--
		21,022	

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.

24. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment represents:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current year additions (Note 3)	216,930	166,911	65,950	42,995
Less: Amount financed by:				
- finance lease creditors	(8,825)	(13,733)	(1,260)	(10,635)
- amount under credit term (Note 18)	(15,098)	(14,018)	(5,162)	(1,118)
Finance cost capitalised (Note 3)	(830)	(428)	--	--
Add: Payment in respect of previous year's purchase of property, plant and equipment (Note 18)	14,018	9,779	1,118	512
	206,195	148,511	60,646	31,754

25. DISPOSAL OF A SUBSIDIARY

During the year the Group disposed of its 90% equity interest in Qingdao GS Electronics Plastic Co., Ltd. a wholly-owned subsidiary, for a total cash consideration of CNY73.779 million (equivalent to RM43.2 million). The contribution from the subsidiary prior to the disposal and effects of the disposal are as follows:

Results of the disposed subsidiary

	Group	
	2018 RM'000	2017 RM'000
Revenue	77,133	187,048
Expenses	(77,580)	(185,010)
Results from operating activities	(447)	2,038
Tax expense	(800)	(248)
Results from operating activities, net of tax	(1,247)	1,790
Loss on disposal of a subsidiary	(16,936)	--
(Loss)/Profit for the year	(18,183)	1,790
(Loss)/Profit attributable to:		
Owners of the Company	(7,881)	780
Non-controlling interests	(10,302)	1,010
(Loss)/Profit for the year	(18,183)	1,790
Cash flows from/(used in) disposal of a subsidiary		
Net cash from/(used in) operating activities	3,413	(1,191)
Net cash used in investing activities	(1,149)	(5,088)
Effect on cash flows	2,264	(6,279)

25. DISPOSAL OF A SUBSIDIARY (CONT'D)

Effect of disposal on the financial position of the Group

	Note	2018 RM'000
Property, plant and equipment	3	46,629
Prepaid lease payment	4	8,461
Deferred tax assets		64
Inventories		19,364
Trade and other receivables		26,573
Cash and cash equivalents		4,962
Trade and other payables		(27,980)
Loans and borrowings		(17,859)
Net assets and liabilities		60,214
Loss on disposal of a subsidiary		(16,936)
Consideration received satisfied in cash		43,278
Cash and cash equivalents disposed of		(4,962)
Net cash inflow		38,316

26. 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.

26. OPERATING SEGMENTS (CONT'D)

	Malaysia		People's Republic of China		Indonesia		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Segment profit/(loss)	196,788	204,035	(19,101)	17,426	3,165	(5,066)	180,852	216,395
Included in the measure of segment profit are:								
Revenue from external customers	3,088,179	2,294,381	692,999	803,451	303,986	182,285	4,085,164	3,280,117
Inter-segment revenue	77	2,984	411	1,172	--	--	488	4,156
Depreciation and amortisation	(38,971)	(30,450)	(35,308)	(38,624)	(7,257)	(8,624)	(81,536)	(77,698)
Finance costs	(19,679)	(13,215)	(8,605)	(8,968)	(1,284)	(1,419)	(29,568)	(23,602)
Finance income	5,619	2,168	548	1,132	173	214	6,340	3,514
Not included in the measure of segment profit but provided to Managing Director								
Tax expense	(45,074)	(60,150)	7,795	(5,466)	(854)	(240)	(38,133)	(65,856)
Segment assets	2,516,076	2,193,899	722,966	831,416	153,265	198,751	3,392,307	3,224,066
Included in the measure of segment assets are:								
Additions to non-current assets other than financial instruments and deferred tax assets	150,482	71,223	63,119	68,947	3,626	2,420	217,227	142,590
Segment liabilities	1,154,644	1,126,190	329,985	448,216	74,572	118,912	1,559,201	1,693,318

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

	2018 RM'000	2017 RM'000
Profit		
Total profit for reportable segments	180,852	216,395
Other non-reportable segments	2,150	6,540
Elimination of inter-segment profits	--	973
Share of loss of associates not included in reportable segments	(6,635)	(235)
Consolidated profit before tax	176,367	223,673

26. OPERATING SEGMENTS (CONT'D)

	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
2018								
Total reportable segments	4,085,164	(81,536)	(29,568)	6,340	3,392,307	--	217,227	1,559,201
Other non-reportable segments	4,027	(115)	(198)	127	190,905	--	8	22,629
Components not monitored by Managing Director	--	--	--	--	--	68,800	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(481,068)	--	--	(123,789)
Consolidated total	4,089,191	(81,651)	(29,766)	6,467	3,102,144	68,800	217,235	1,458,041
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

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group				
Malaysia	2,156,059	1,207,216	487,246	382,620
United States of America	725,095	896,100	--	--
Europe	193,944	200,476	--	--
Indonesia	304,357	182,936	64,288	77,087
People's Republic of China	442,229	575,358	415,213	486,548
Singapore	33,713	29,127	148,125	45,578
Others	233,794	190,137	--	--
Total	4,089,191	3,281,350	1,114,872	991,833

26. OPERATING SEGMENTS (CONT'D)

Major customers

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

	Revenue		Segment
	2018 RM'000	**2017 RM'000**	
Customer A	1,361,349	760,578	Malaysia
Customer B	588,186	402,115	Malaysia
Customer C	421,311	361,967	Malaysia

27. CONTINGENCIES (UNSECURED)

	Company	
	2018 RM'000	**2017 RM'000**
Corporate guarantees given to financial institutions in respect of outstanding term loans and banking facilities of the subsidiaries	206,059	316,326

28. FINANCIAL INSTRUMENTS

28.1 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").

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	L&R RM'000	AFS RM'000	FL RM'000
2018				
Group				
Other investments	148,304	--	148,304	--
Trade and other receivables	939,641	939,641	--	--
Cash and cash equivalents	415,636	415,636	--	--
Loans and borrowings	(645,448)	--	--	(645,448)
Trade and other payables	(721,302)	--	--	(721,302)
Due to Directors	(4,322)	--	--	(4,322)
	132,509	1,355,277	148,304	(1,371,072)
Company				
Other investments	4,727	--	4,727	--
Trade and other receivables	365,291	365,291	--	--
Dividends receivable	30,000	30,000	--	--
Cash and cash equivalents	45,678	45,678	--	--
Loans and borrowings	(252,950)	--	--	(252,950)
Trade and other payables	(310,633)	--	--	(310,633)
	(117,887)	440,969	4,727	(563,583)
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	(790,910)	--	--	(790,910)
Due to Directors	(4,322)	--	--	(4,322)
	(120,909)	1,340,936	40,268	(1,502,113)
Company				
Other investments	4,727	--	4,727	--
Trade and other receivables	197,611	197,611	--	--
Dividends receivable	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)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) arising on:				
Available-for-sale financial assets				
- recognised in profit or loss	--	(4,042)	--	--
- recognised in other comprehensive income	85,752	--	--	--
Loans and receivables	32,766	26,075	5,338	8,741
Financial liabilities measured at amortised cost	(38,955)	(37,049)	(1,997)	(10,690)
	79,563	(15,016)	3,341	(1,949)

28.3 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

28.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company have significant concentration of credit risk arising from amounts due from two major customers, representing 51% and 93% (2017: 39% and 90%) of the Group's and of the Company's trade receivables respectively.

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

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	503,149	336,370	309,126	143,335
Indonesia	30,273	65,853	--	--
People's Republic of China	58,651	94,233	--	--
United States of America	173,452	288,131	4,040	2,365
Others	82,904	127,137	3,998	2,165
	848,429	911,724	317,164	147,865

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
2018				
Not past due	712,568	--	712,568	267,635
Past due 1 - 30 days	121,457	--	121,457	46,227
Past due 31 - 60 days	6,204	--	6,204	1,869
Past due 61 - 90 days	1,405	--	1,405	36
Past due more than 90 days	7,245	(450)	6,795	1,397
	848,879	(450)	848,429	317,164
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

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Credit risk (Cont'd)

Receivables (Cont'd)

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

	Group	
	2018 RM'000	2017 RM'000
At 1 August	1,046	3,215
Impairment loss reversed	(270)	(179)
Impairment loss written off	(354)	(2,104)
Exchange differences	28	114
At 31 July	450	1,046

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 RM206.1 million (2017: RM316.3 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.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 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.

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

Maturity analysis

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

Group	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2018							
Non-derivative financial liabilities							
Secured finance lease liabilities	23,487	2.28 – 3.65	26,194	9,691	8,276	8,227	--
Secured term loans	32,520	3.70 – 12.15	34,790	25,311	4,332	1,534	3,613
Secured bank overdrafts	11,892	7.00 – 8.17	12,672	12,672	--	--	--
Secured trust receipts	108,787	4.60	110,010	110,010	--	--	--
Unsecured short term loan	32,867	5.50	33,131	33,131	--	--	--
Unsecured term loans	108,746	3.54 – 6.21	120,641	43,785	40,423	34,938	1,495
Unsecured revolving credits	15,000	5.38 – 5.67	15,000	15,000	--	--	--
Unsecured bankers' acceptances	131,923	3.62 – 4.28	131,923	131,923	--	--	--
Unsecured trust receipts	180,226	1.90 – 3.42	180,226	180,226	--	--	--
Due to Directors	4,322	--	4,322	4,322	--	--	--
Trade and other payables	721,302	--	721,302	721,302	--	--	--
	1,371,072		1,390,211	1,287,373	53,031	44,699	5,108

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (Cont'd)

Group	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
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	790,910	--	790,910	790,910	--	--	--
	1,502,113		1,527,838	1,391,535	68,143	59,766	8,394
Company							
2018							
Non-derivative financial liabilities							
Secured finance lease liabilities	1,872	2.28 – 2.41	2,059	530	470	1,059	--
Unsecured term loans	70,455	4.37 – 6.21	79,040	26,571	30,216	22,253	--
Unsecured revolving credits	15,000	5.38 – 5.67	15,000	15,000	--	--	--
Unsecured bankers' acceptances	101,698	3.63 – 4.24	101,698	101,698	--	--	--
Unsecured trust receipts	63,925	2.75 – 3.26	63,925	63,925	--	--	--
Trade and other payables	310,633	--	310,633	310,633	--	--	--
Financial guarantee*	--	--	206,059	206,059	--	--	--
	563,583		778,414	724,416	30,686	23,312	--

* *Represents the amount outstanding as disclosed in Note 28.4.*

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (Cont'd)

Company	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
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	--

* *Represents the amount outstanding as disclosed in Note 28.4.*

28.6 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.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Market risk (Cont'd)

Currency risk (Cont'd)

Exposure to foreign currency risk

The Group's exposure to foreign currencies (a currency which is other than the functional 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade and other receivables	8,298	185,448	88,739	52,921	12,210	7,559
Cash and cash equivalents	41,105	54,155	138,506	32,068	4,294	1,406
Trade and other payables	(36,226)	(80,487)	(239,593)	(86,647)	(84,130)	(51,763)
Unsecured trust receipts	--	--	(172,684)	(41,069)	(63,925)	(41,069)
Unsecured term loans	(1,666)	(4,629)	(59,520)	(31,460)	(40,269)	(22,781)
Secured trust receipts	--	--	(33,182)	(40,857)	--	--
Secured term loans	--	--	(27,845)	(55,031)	--	--
Bankers' acceptances (unsecured)	(10,294)	(139,943)	--	--	--	--
Finance lease liabilities	(445)	(8,933)	--	--	--	--
	772	5,611	(305,579)	(170,075)	(171,820)	(106,648)

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% (2017: 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
2018			
Profit or (loss)	(59)	23,224	13,058
2017			
Profit or (loss)	(426)	12,926	8,105

A 10% (2017: 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.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 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 (2017: RM9,986,400) in order to achieve an appropriate mix of fixed and floating rate exposure. At 31 July 2018, the swap matures over the next six 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate instruments				
Financial assets	108,165	45,859	6,397	191
Financial liabilities	(410,005)	(437,225)	(182,495)	(129,318)
	(301,840)	(391,366)	(176,098)	(129,127)
Floating rate instruments				
Financial liabilities	(235,443)	(269,656)	(70,455)	(65,196)

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 RM1,789,000 (2017: RM2,049,000) and RM535,000 (2017: RM496,000) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 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 amounts 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			
2018			
Financial liabilities			
Term loans	139,277	139,277	141,266
Finance lease liabilities	22,942	22,942	23,487
	162,219	162,219	164,753
Company			
2018			
Financial liabilities			
Term loans	69,147	69,147	70,455
Finance lease liabilities	1,730	1,730	1,872
	70,877	70,877	72,327
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

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 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 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 (2018: 4.25% - 4.75%; 2017: 4.25% - 4.75%)

29. 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 2018 and 31 July 2017 were as follows:

	Group	
	2018 RM'000	2017 RM'000
Total loans and borrowings (Note 16)	645,448	706,881
Less: Cash and cash equivalents (Note 13)	(415,636)	(344,919)
Net debt	229,812	361,962
Total equity attributable to owners of the Company	1,423,184	1,057,546
Debt-to-equity ratio	0.16	0.34

30. CAPITAL COMMITMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Capital expenditure commitments				
Property, plant and equipment				
Contracted but not provided for	61,236	22,958	55,578	11,443

31. 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	
	2018 RM'000	**2017 RM'000**
Within one year	2,428	2,727

Leases as lessor

As at 31 July 2018 and 2017, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Within one year	--	141

32. 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.

32. RELATED PARTIES (CONT'D)

Significant related party transactions

The significant related party transactions of the Group and the Company as follows:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
A. Subsidiaries				
Sales of goods	--	--	91,513	114,883
Sales of plant and equipment	--	--	346	104
Purchases of goods	--	--	329,826	34,995
Purchases of plant and equipment	--	--	12,561	49
Rental expense	--	--	6,151	1,619
Dividend received/receivable	--	--	30,000	110,000
B. Associates				
Sales of goods	2,469	5,184	--	--
Outstanding balances:				
- due from	4,060	7,095	--	--
C. Companies which are wholly-owned by close family member of certain Directors				
Purchases of tooling	4,399	3,187	--	--
Outstanding balances:				
- due to	1,009	532	--	--
- due from	--	442	--	--
D. Company in which the spouse of a Director has financial interest				
Purchases of goods	9,152	31,408	4,283	14,585
Outstanding balances	2,667	4,920	1,316	1,887
E. Remuneration paid to staff who are close family member of certain Directors	2,655	2,918	477	491
F. A company controlled by a Director				
Operating lease charges and management fee expense	5,068	5,012	--	--
Outstanding balances:				
- due to	121	118	--	--
- due from	1,200	1,267	--	--

32. RELATED PARTIES (CONT'D)

Significant related party transactions (Cont'd)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
G. A company controlled by the family member of a Director				
Sub-contracting fee expense	4,226	4,641	--	--
Outstanding balances	724	438	--	--
H. A company controlled by the family member of a key management personnel				
Repair and maintenance services	622	981	--	--
Outstanding balances	--	118	--	--
I. Key management personnel				
Directors				
- Fees	888	643	624	412
- Remuneration	22,033	20,825	7,836	7,229
- Contributions to state plans	2,834	1,711	1,364	833
- Equity settled share-based transaction	1,349	3,040	423	826
Total short term employee benefits	27,104	26,219	10,247	9,300
Other key management personnel:				
- Wages, salaries and others	4,216	4,328	485	419
- Contributions to state plans	202	157	58	50
- Other short term employee benefits	55	51	9	9
- Equity settled share-based transaction	357	491	30	46
	4,830	5,027	582	524
	31,934	31,246	10,829	9,824

The estimated monetary value of Directors' benefit-in-kind of the Group/Company is RM158,000 (2017: RM136,000).

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.

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 79 to 158 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

12 November 2018

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 79 to 158 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 12 November 2018.

Datin Gan Chu Cheng

Before me:

Lau Lay Sung
Commissioner for Oaths
J-246

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF V. S. INDUSTRY BERHAD

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 2018 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 79 to 158.

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 2018, 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.

Valuation of inventories

Refer to Note 2(h) – Significant accounting policy and Note 12 - Inventories.

The key audit matter

Inventories were ordered and produced to cater for current and future demand and may go beyond the required quantities to fulfil an order. In order to better utilise the production facilities in China, the Group had planned ahead and produced based on indicative orders, which may result in excess stock if actual orders turn out to be lesser.

Excess inventories and/or discontinued orders of certain products may render the raw materials and finished products obsolete unless they are claimable from customers or management is able to find alternative use for these goods.

We focused on this area and the specific geographical location due to the significance of the balance, significant management judgement and estimates involved in determining the adequacy of write down of obsolete and slow moving inventories.

How the matter was addressed in our audit:

Our audit procedures performed in this area included, among others:

- We evaluated the key control procedures performed by management in estimating the net realisable value of the inventories and conducting periodic reviews on inventory obsolescence;

- We have tested the net realisable value of selected inventory items, by comparing the carrying amount of the inventory items against their selling price subsequent to the year end or closest to year end;

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

How the matter was addressed in our audit: (Cont'd)

- We have tested the accuracy of the ageing profile of individual inventory items by test checking to the underlying procurement correspondence and invoices; and

- We have tested the long aged inventory for subsequent sales or usage after year end and assessed the adequacy of write down of obsolete and slow moving inventories.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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 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

12 November 2018

Location	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2018 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 (12-15 years)	69,075	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 102902, Jalan Murni 8 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	8.19	106,024	Factory/office	Freehold	20,724	31-Jul-17 (R)
Lot 76803, Jalan Murni 12 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	4.49	121,678	Factory/office (2-storey)	Freehold	30,567	5-Dec-17
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 (26 years)	26,451	31-Jul-17 (R)
PTD 105624 - PLO 46 Jalan Perindustrian 1 Kawasan Perindustrian Senai II 81400 Senai Johor Darul Takzim	1.55	54,807	Factory/office (2-storey)	Leasehold for 60 years expiring on 03/10/2077 (25 years)	6,737	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 (21 years)	3,785	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 (21 years)	5,963	31-Jul-17 (R)
Lot 214, Jalan Seelong-Senai 81400 Senai Johor Darul Takzim	6.30	227,099	Factory/office (2-storey)	Freehold (8 years)	31,584	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 2018 RM'000	Date of Last Revaluation (R) /Acquisition (A)
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 (22 years)	22,293	31-Jul-17 (R)
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 (31 years)	6,559	31-Jul-17 (R)
Lot 72061- PLO 121 Jalan Cyber 5 Kawasan Perindustrian Senai III 81400 Senai Johor Darul Takzim	1.00	27,900	Warehouse (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 15/06/2064 (18 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 (26 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 (7-22 years)	6,430	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 (2 years)	13,294	31-Jul-17 (R)
Lot 7044 Jalan Sawi 6 Taman Seri Senai 81400 Senai Johor Darul Takzim	5.30	85,980	Two (2) block of 5-storey hostel	Freehold	23,660	13-Sep-17 (A)
No 652, Taman Perindustrian Senai Jalan Seelong 81400 Senai Johor Darul Takzim	0.58	8,016	Factory/office (1½-storey)	Freehold (3 years)	2,295	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 2018 RM'000	Date of Last Revaluation (R) /Acquisition (A)
668, Jalan Idaman 3/4, Taman Perindustrian Senai 81400 Senai Johor Darul Takzim	0.67	8,888	Factory/office (1½-storey)	Freehold (5 years)	2,272	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 (1 year)	2,111	31-Jul-17 (A)
2 Venture Drive #13-08 Vision Exchange Singapore 608526	-	1,388	Vacant	Leasehold for 99 years expiring on 09/06/2111	9,324	4-Oct-16 (A)
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 (4 years)	36,304	31-Jul-17 (R)
Jl. Alam Serasi 1/31 Cluster Ambrosia Lippo Cikarang Bekasi 17550 Indonesia	0.04	936	Hostel (Double storey terrace)	Leasehold for 30 years expiring on 24/09/2024	581	30-Sep-17 (A)
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 (17 years)	229,018	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 (12 years)	18,860	31-Jul-17 (R)

ANALYSIS OF SHAREHOLDINGS
AS AT 31 OCTOBER 2018

Issued Shares	:	1,751,221,311 ordinary shares
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Range of Shares	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
1 – 99	407	4.37	17,443	0.00
100 – 1,000	934	10.04	498,055	0.03
1,001 – 10,000	4,311	46.31	19,915,753	1.14
10,001 – 100,000	2,888	31.03	85,153,436	4.86
100,001 – 87,561,064 *	767	8.24	1,471,891,574	84.05
87,561,065 AND ABOVE **	1	0.01	173,745,050	9.92
Total	9,308	100.00	1,751,221,311	100.00

* less than 5% of issued shares
** 5% and above of issued shares

THIRTY LARGEST SHAREHOLDERS AS AT 31 OCTOBER 2018

No.	Name of Shareholders	Shares Held	Percentage (%)
1.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	173,745,050	9.92
2.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	66,937,500	3.82
3.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	58,687,812	3.35
4.	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR GAN CHU CHENG (PB-SGDIV)	54,150,000	3.09
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD CBHK PBGSG FOR GAN CHU CHENG	39,057,125	2.23
6.	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR BEH KIM LING	38,730,818	2.21
7.	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR GAN SEM YAM	38,298,050	2.19
8.	GAN SEM YAM	37,567,812	2.15
9.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GAN TONG CHUAN (PB)	32,972,350	1.88
10.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	28,380,750	1.62
11.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	25,529,400	1.46

THIRTY LARGEST SHAREHOLDERS AS AT 31 OCTOBER 2018 (CONT'D)

No.	Name of Shareholders	Shares Held	Percentage (%)
12.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)(419455)	23,253,050	1.33
13.	UOBM NOMINEES (TEMPATAN) SDN BHD UNITED OVERSEAS BANK NOMINEES (PTE) LTD FOR GAN CHU CHENG	21,250,000	1.21
14.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	21,000,000	1.20
15.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	19,645,500	1.12
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING (MBB HK-240577)	18,032,675	1.03
17.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	16,896,400	0.97
18.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	15,333,750	0.88
19.	GAN TIONG SIA	15,310,537	0.87
20.	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR GAN TIONG SIA (PB-SGDIV)	15,000,000	0.86
21.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING (MARGIN)	14,000,000	0.80
22.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR BEH HWEE LEE (PB)	13,910,768	0.79
23.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 9)	13,453,625	0.77
24.	GAN SWU KIM	12,875,000	0.74
25.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	12,635,955	0.72
26.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN SEM YAM	12,500,000	0.71
27.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC DALI EQUITY FUND	12,120,275	0.69
28.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	12,012,600	0.69
29	CHIN CHIN SEONG	12,003,625	0.69
30.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPTIMAL GROWTH FUND	11,970,250	0.68
	Total	887,260,677	50.67

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 31 OCTOBER 2018

		Interests in Shares			Percentage
No.	Name of Substantial Shareholders	Direct	Deemed	Note	(%)
1.	Datuk Beh Kim Ling	137,700,993	187,765,774	(a)	18.59
2.	Datin Gan Chu Cheng	124,269,625	201,197,142	(b)	18.59
3.	Datuk Gan Sem Yam	88,365,862	16,582,812	(c)	5.99
4.	Datin Ling Sok Mooi	-	104,948,674	(d)	5.99
5.	Kumpulan Wang Persaraan (Diperbadankan)	173,745,050	25,044,625		11.35

DIRECTORS' INTERESTS IN SHARES AS AT 31 OCTOBER 2018

	Interests in Shares			Percentage
Name of Directors	Direct	Deemed	Note	(%)
A. In the Company				
Datuk Beh Kim Ling	137,700,993	187,765,774	(a)	18.59
Datin Gan Chu Cheng	124,269,625	201,197,142	(b)	18.59
Datuk Gan Sem Yam	88,365,862	16,582,812	(c)	5.99
Dato' Gan Tiong Sia	30,310,537	-		1.73
Ng Yong Kang	1,332,600	25,000	(e)	0.08
Tan Sri Mohd Nadzmi Bin Mohd Salleh	1,437,500	-		0.08
Pan Swee Keat	287,500	-		0.02
Tang Sim Cheow	-	-		-
Diong Tai Pew	-	-		-
Chong Chin Siong (Alternate Director to Datin Gan Chu Cheng)	1,500,000	300,000	(f)	0.10
Beh Chern Wei (Alternate Director to Dato' Gan Tiong Sia)	20,875,000	-		1.19
Gan Pee Yong (Alternate Director to Ng Yong Kang)	10,332,812	-		0.59
B. In Related Corporations				
(i) V.S. Ashin Technology Sdn. Bhd.				
Datuk Beh Kim Ling	-	5,880,000	(g) & (k)	84.00
Datin Gan Chu Cheng	672,000	5,208,000	(g)	84.00
Datuk Gan Sem Yam	746,667	-		10.67

DIRECTORS' INTERESTS IN SHARES AS AT 31 OCTOBER 2018 (CONT'D)

		Interests in Shares			Percentage
	Name of Directors	Direct	Deemed	Note	(%)
B.	**In Related Corporations (Cont'd)**				
(ii)	**VS Marketing & Engineering Pte. Ltd.**				
	Datuk Beh Kim Ling	-	1,224,000	(g)	51.00
	Datin Gan Chu Cheng	-	1,224,000	(g)	51.00
	Datuk Gan Sem Yam	-	816,000	(h)	34.00
	Dato' Gan Tiong Sia	-	120,000	(i)	5.00
(iii)	**Serumi International Private Limited**				
	Datuk Beh Kim Ling	-	1,933,400	(g)	96.67
	Datin Gan Chu Cheng	-	1,933,400	(g)	96.67
	Datuk Gan Sem Yam	-	1,933,400	(h)	96.67
(iv)	**V.S. International Group Limited (Ordinary shares of HKD0.05 each)**				
	Datuk Beh Kim Ling	148,452,532	1,072,037,843	(g) & (k)	52.89
	Datin Gan Chu Cheng	30,335,880	1,190,154,495	(g) & (l)	52.89
	Datuk Gan Sem Yam	44,671,395	31,571,275	(j)	3.30
	Dato' Gan Tiong Sia	17,215,074	16,300,000	(i)	1.45
	Tang Sim Cheow	639,130	-		0.03
	Diong Tai Pew	1,766,411	-		0.08
	Beh Chern Wei	27,000,000	-		1.17
(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	(k)	10.00
	Datin Gan Chu Cheng	3,750,000	3,750,000	(l)	10.00
	Datuk Gan Sem Yam	3,750,000	-		5.00
	Dato' Gan Tiong Sia	3,750,000	-		5.00

ANALYSIS OF SHAREHOLDINGS
AS AT 31 OCTOBER 2018
(cont'd)

DIRECTORS' INTERESTS IN SHARES AS AT 31 OCTOBER 2018 (CONT'D)

	Name of Directors	Interests in Shares Direct	Deemed	Note	Percentage (%)
B.	**In Related Corporations (Cont'd)**				
	(vi) V.S. Investment Holdings Limited (Ordinary shares of HKD1.00 each)				
	Datuk Beh Kim Ling	5	5	(k)	*
	Datin Gan Chu Cheng	5	5	(l)	*
	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, Gan Siow Yong.
(f) By virtue of the shareholdings of his spouse, Chai Ming Er.
(g) By virtue of his/her substantial shareholdings in V.S. Industry Berhad.
(h) By virtue of his substantial shareholdings in V.Plus Resources Pte. Ltd.
(i) By virtue of the shareholdings of his daughter, Gan Swu Juan.
(j) By virtue of the shareholdings of his daughter, Gan Chian Yi.
(k) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng.
(l) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling.

* *Negligible percentage*

ANALYSIS OF WARRANT HOLDINGS
AS AT 31 OCTOBER 2018

No. of Unexercised Warrants	:	162,468,579
Exercise Price	:	RM1.32 per Warrant
Warrant Issued Date	:	7 January 2016
Expiry Date	:	4 January 2019

DISTRIBUTION OF WARRANT HOLDINGS

Range of Warrants	No. of Warrant Holders	Percentage (%)	No. of Warrants	Percentage (%)
1 – 99	1,272	24.20	64,818	0.04
100 – 1,000	582	11.07	248,383	0.15
1,001 – 10,000	1,753	33.35	8,461,509	5.21
10,001 – 100,000	1,391	26.46	47,377,676	29.16
100,001 – 8,123,427*	259	4.92	106,316,193	65.44
8,123,428 and above**	0	0.00	0	0.00
Total	5,257	100.00	162,468,579	100.00

* less than 5% of issued warrants
** 5% and above of issued warrants

THIRTY LARGEST WARRANT HOLDERS AS AT 31 OCTOBER 2018

No.	Name of Warrant Holders	Warrants Held	Percentage (%)
1.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR OPTIMUS CAPITAL INTERNATIONAL LIMITED	5,694,875	3.51
2.	MALACCA SECURITIES SDN BHD IVT 017V	5,563,200	3.42
3.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	4,098,275	2.52
4.	NG ANG LIM	3,994,575	2.46
5.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	3,615,900	2.22
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	3,182,025	1.96
7.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GURJEET SINGH A/L CHANAN SINGH	2,496,250	1.54
8.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	2,437,500	1.50

ANALYSIS OF WARRANT HOLDINGS

AS AT 31 OCTOBER 2018
(cont'd)

THIRTY LARGEST WARRANT HOLDERS AS AT 31 OCTOBER 2018 (CONT'D)

No.	Name of Warrant Holders	Warrants Held	Percentage (%)
9.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH CHEE MENG (MARGIN)	2,219,500	1.37
10.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,853,125	1.14
11.	AMANAHRAYA TRUSTEES BERHAD CIMB ISLAMIC EQUITY AGGRESSIVE FUND	1,824,350	1.12
12.	TAN CHOOI HO	1,623,900	1.00
13.	AMANAHRAYA TRUSTEES BERHAD CIMB ISLAMIC AL-AZZAM EQUITY FUND	1,392,025	0.86
14.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN PEE HONG (SENAI-CL)	1,373,053	0.84
15.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR UNITED INCOME PLUS FUND	1,300,000	0.80
16.	ZAINAL ARIFFIN BIN OSMAN	1,273,750	0.78
17.	KRISHNA BHATT @ ACHONG	1,250,000	0.77
18.	CIMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG KING KWEE (JLN DEDAP-CL)	1,200,000	0.74
19.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR GAN PEE KE'NG (MY3074)	1,200,000	0.74
20.	TAN KIA CHUAN	1,074,750	0.66
21.	GAN TEONG CHAI	1,020,000	0.63
22.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEE TIAM CHAI (E-TJJ)	760,375	0.47
23.	AMANAHRAYA TRUSTEES BERHAD CIMB PRINCIPAL EQUITY AGGRESSIVE FUND 1	758,650	0.47
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL EQUITY AGGRESSIVE FUND 3 (980050)	744,275	0.46
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KENG LI MEI	725,000	0.45
26.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DAVID CHEW @ CHEW HOOI BOON (M)	602,500	0.37
27.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD-AMB SMALLCAP TRUST FUND	587,500	0.36
28.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GAN CHU CHENG (PB)	575,218	0.35
29.	NG CHEE GUAN	573,231	0.35
30.	KIM POH HOLDINGS SDN BHD	570,312	0.35
	Total	55,584,114	34.21

DIRECTORS' INTERESTS IN WARRANT AS AT 31 OCTOBER 2018

	Interests in Warrant			Percentage
Name of Directors	**Direct**	**Deemed**	**Note**	**(%)**
In the Company				
Datuk Beh Kim Ling	2,437,500	700,218	(a)	1.93
Datin Gan Chu Cheng	575,218	2,562,500	(b)	1.93
Datuk Gan Sem Yam	77	-		-
Dato' Gan Tiong Sia	-	-		-
Ng Yong Kang	-	-		-
Tan Sri Mohd Nadzmi Bin Mohd Salleh	265,625	-		0.16
Pan Swee Keat	-	-		-
Tang Sim Cheow	-	-		-
Diong Tai Pew	-	-		-
Chong Chin Siong (Alternate Director to Datin Gan Chu Cheng)	-	-		-
Beh Chern Wei (Alternate Director to Dato' Gan Tiong Sia)	125,000	-		0.08
Gan Pee Yang (Alternate Director to Ng Yong Kang)	-	-		-

Note:

(a) *By virtue of the warrant holdings of his spouse, Datin Gan Chu Cheng and son, Beh Chern Wei.*
(b) *By virtue of the warrant holdings of her spouse, Datuk Beh Kim Ling and son, Beh Chern Wei.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Sixth Annual General Meeting ("36th AGM") of **V.S. INDUSTRY BERHAD** ("VSI" or "the Company") will be held at Iskandar I, Hotel Jen Puteri Harbour, Johor, Persiaran Puteri Selatan, Puteri Harbour, 79000 Iskandar Puteri, Johor Darul Takzim on Friday, 4 January 2019 at 10.30 a.m. for the following purposes:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 July 2018 together with the Directors' and Auditors' reports thereon. **(Please refer to Note No. 1)**

2. To approve the payment of a final dividend of 0.6 sen per ordinary share for the financial year ended 31 July 2018. **RESOLUTION 1**

3. To approve the payment of Directors' fees totalling RM623,600 for the financial year ended 31 July 2018. **RESOLUTION 2**

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

(a)	Pan Swee Keat	- Article 93	**RESOLUTION 3**
(b)	Tang Sim Cheow	- Article 93	**RESOLUTION 4**
(c)	Ng Yong Kang	- Article 93	**RESOLUTION 5**
(d)	Diong Tai Pew	- Article 99	**RESOLUTION 6**

5. To re-appoint the retiring Auditors, Messrs KPMG PLT as Auditors and to authorise the Directors to fix their remuneration. **RESOLUTION 7**

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 75 of the Companies Act 2016

"THAT, subject always to the Companies Act 2016, the Memorandum and Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 75 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 8**

7. **ORDINARY RESOLUTION**
Proposed Renewal of Shareholders' Approval for Share Buy-Back

"THAT, subject to the Company's compliance with all applicable rules, regulations, orders and guidelines made pursuant to the Companies Act 2016, the provisions of the Company's Memorandum and Articles of Association and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company be and is hereby authorised to the fullest extent permitted by law, to buy-back and/or hold from time to time and at anytime such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company ("Proposed Share Buy-Back") provided that:

(a) the maximum number of shares which may be purchased and/or held by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten percent (10%) of the total number of issued shares of the Company for the time being quoted on Bursa Securities;

(b) the maximum amount of funds to be allocated by the Company pursuant to the Proposed Share Buy-Back shall not exceed the sum of retained profits of the Company based on its latest audited financial statements and/or the latest management accounts (where applicable) available up to the date of a transaction pursuant to the Proposed Share Buy-Back;

THAT the shares purchased by the Company pursuant to the Proposed Share Buy-Back may be dealt with in all or any of the following manner (as selected by the Company):

(i) the shares so purchased may be cancelled; and/or

(ii) the shares so purchased may be retained as treasury shares in accordance with the relevant rules of Bursa Securities for distribution as dividend to the shareholders and/or resell through Bursa Securities and/or subsequently cancelled; and/or

(iii) part of the shares so purchased may be retained as treasury shares with the remainder being cancelled;

THAT such authority shall commence upon the passing of this resolution, until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required by law to be held unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting but so as not to prejudice the completion of a purchase made before such expiry date;

AND THAT the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect to the Proposed Share Buy-Back with full powers to amend and/or assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act 2016, the provisions of the Company's Memorandum and Articles of Association and the requirements of the Bursa Securities and all other relevant governmental/regulatory authorities." **RESOLUTION 9**

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/Statement to the Shareholders of VSI dated 29 November 2018, 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 10**

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/Statement to the Shareholders of VSI dated 29 November 2018, 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 11**

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/Statement to the Shareholders of VSI dated 29 November 2018, 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 12**

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/Statement to the Shareholders of VSI dated 29 November 2018, 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 13**

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 in accordance with the Malaysian Code on Corporate Governance." **RESOLUTION 14**

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

"That Mr Pan Swee Keat be retained as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance." **RESOLUTION 15**

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

"That Mr Tang Sim Cheow be retained as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance." **RESOLUTION 16**

To consider and, if thought fit, to pass the following Special Resolution:

15. **SPECIAL RESOLUTION**
Proposed Adoption of New Constitution of the Company

"That the Company's existing Memorandum and Articles of Association be deleted in its entirety and that the new Constitution as set out in Part C, the Circular/Statement to the Shareholders of VSI dated 29 November 2018 which was circulated together with the Company's 2018 Annual Report be and is hereby adopted as the new Constitution of the Company.

And That the Directors of the Company be and are hereby authorised to do all such acts and things as necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution with full power to assent to any conditions, modifications, and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption of New Constitution." **SPECIAL RESOLUTION**

16. 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 36th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 21 December 2018. Only a depositor whose name appears on the Record of Depositors as at 21 December 2018 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 2018

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 Darul Takzim, 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 75 of the Companies Act 2016 (Resolution 8)

The proposed Resolution No. 8, 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. 8 above is a renewal of an existing mandate. There was no issuance of share and thus no proceed being raised since the last renewal was sought.

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

ii. Proposed Renewal of Shareholders' Approval for Share Buy-Back (Resolution 9)

The proposed Resolution No. 9, 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 Part A, the Circular/Statement to the Shareholders of VSI dated 29 November 2018 which was circulated together with the Company's 2018 Annual Report.

iii. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") (Resolution 10, Resolution 11, Resolution 12 and Resolution 13)**

The proposed Resolutions No. 10 to 13, 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/Statement to the Shareholders of VSI dated 29 November 2018. 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/Statement to the Shareholders of VSI dated 29 November 2018 which was circulated together with the Company's 2018 Annual Report.

iv. **Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance (Resolution 14, Resolution 15 and Resolution 16)**

(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 36th AGM, he has served the Company for 22 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 based on the justifications as set out in Appendix "A".

(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 36th AGM, he has served the Company for 17 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 based on the justifications as set out in Appendix "A".

(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 36th AGM, he has served the Company for 14 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 based on the justifications as set out in Appendix "A".

v. **Proposed Adoption of New Constitution (Special Resolution)**

The proposed Special Resolution, if passed, will align the Company's Constitution with the Companies Act 2016 which came into force on 31 January 2017, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing laws, guidelines or requirements of the relevant authorities, to enhance administrative efficiency and provide greater clarity.

Further details relating to this proposed resolution are set out in Part C, the Circular/Statement to the Shareholders of VSI dated 29 November 2018 which was circulated together with the Company's 2018 Annual Report.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders at the Thirty Sixth Annual General Meeting, a final dividend of 0.6 sen per ordinary share for the financial year ended 31 July 2018, will be paid on 31 January 2019 to those registered in the Record of Depositors at the close of business on 16 January 2019.

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 16 January 2019 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.

APPENDIX A

1. Authority for Tan Sri Mohd Nadzmi Bin Mohd Salleh to continue in office as Independent Non-Executive Director

   Justifications

   a. Tan Sri Mohd Nadzmi Bin Mohd Salleh fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore is able to bring independent and objective judgment to the Board.

   b. He has been with the Company for more than nine years and therefore understand the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Audit Committee and Board meetings without compromising his independence and objective judgement.

   c. He has contributed sufficient time and efforts and attended most of the Audit Committee, and Board meetings as well as having meetings with the Internal and External Auditors without the presence of the Management and Executive Directors for informed and balanced decision making.

   d. He has exercised his due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

   e. The current independent directors are strong individuals demonstrating independence. Independence is a result of a director's state of mind and integrity and not dependent on years of service. The experience of the independent directors in the Company is valuable for determining the strategic direction for the continued stability and growth.

2. Authority for Mr Pan Swee Keat to continue in office as Independent Non-Executive Director

   Justifications

   a. Mr Pan Swee Keat fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore is able to bring independent and objective judgment to the Board.

   b. He has been with the Company for more than nine years and therefore understand the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Audit Committee, Nomination Committee, Remuneration Committee and Board meetings without compromising his independence and objective judgement.

   c. He has contributed sufficient time and efforts and attended all the Audit Committee, Nomination Committee, Remuneration Committee and Board meetings as well as having meetings with the Internal and External Auditors without the presence of the Management and Executive Directors for informed and balanced decision making.

d. He has exercised his due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

e. The current independent directors are strong individuals demonstrating independence. Independence is a result of a director's state of mind and integrity and not dependent on years of service. The experience of the independent directors in the Company is valuable for determining the strategic direction for the continued stability and growth.

3. Authority for Mr Tang Sim Cheow to continue in office as Independent Non-Executive Director

<u>Justifications</u>

a. Mr Tang Sim Cheow fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore is able to bring independent and objective judgment to the Board.

b. He has been with the Company for more than nine years and therefore understand the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Audit Committee, Nomination Committee, Remuneration Committee and Board meetings without compromising his independence and objective judgement.

c. He has contributed sufficient time and efforts and attended all the Audit Committee, Nomination Committee, Remuneration Committee and Board meetings as well as having meetings with the Internal and External Auditors without the presence of the Management and Executive Directors for informed and balanced decision making.

d. He has exercised his due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

e. The current independent directors are strong individuals demonstrating independence. Independence is a result of a director's state of mind and integrity and not dependent on years of service. The experience of the independent directors in the Company is valuable for determining the strategic direction for the continued stability and growth.

STATEMENT ACCOMPANYING NOTICE OF THIRTY SIXTH 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)	Pan Swee Keat	- Article 93	**RESOLUTION 3**
(b)	Tang Sim Cheow	- Article 93	**RESOLUTION 4**
(c)	Ng Yong Kang	- Article 93	**RESOLUTION 5**
(d)	Diong Tai Pew	- Article 99	**RESOLUTION 6**

Further details of the above named Directors and their interest in the securities of the Company are set out in the profile of Directors on page 16 to page 17 and page 168, 173 of the 2018 Annual Report respectively.

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FORM OF PROXY

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

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 Sixth Annual General Meeting of the Company to be held at Iskandar I, Hotel Jen Puteri Harbour, Johor, Persiaran Puteri Selatan, Puteri Harbour, 79000 Iskandar Puteri, Johor Darul Takzim on Friday, 4 January 2019 at 10.30 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 0.6 sen per ordinary share for the financial year ended 31 July 2018		
2	Approval of Directors' fees		
3	Re-election of retiring Director, Pan Swee Keat		
4	Re-election of retiring Director, Tang Sim Cheow		
5	Re-election of retiring Director, Ng Yong Kang		
6	Re-election of retiring Director, Diong Tai Pew		
7	Re-appointment of KPMG PLT as Auditors and authorise the Directors to fix their remuneration		
8	Authorise Directors to issue shares pursuant to Section 75 of the Companies Act 2016		
9	Renewal of Shareholders' Approval for Share Buy-Back		
10	Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates		
11	Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited		
12	Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd		
13	Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd.		
14	Retention of Tan Sri Mohd Nadzmi Bin Mohd Salleh as Independent Non-Executive Director		
15	Retention of Mr Pan Swee Keat as Independent Non-Executive Director		
16	Retention of Mr Tang Sim Cheow as Independent Non-Executive Director		
	SPECIAL RESOLUTION: Proposed Adoption of New Constitution of the Company		

(i) Applicable to shares held through a nominee account

Signed this ____________ day of ______________ 2018/2019

____
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 Darul Takzim, 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 21 December 2018 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 36th Annual General Meeting dated 29 November 2018.

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 Darul Takzim, Malaysia

1st Fold Here

CORPORATE DIRECTORY

HEADQUARTERS

MALAYSIA

PTD 86556, Jalan Murni 12
Taman Perindustrian Murni
81400 Senai, Johor Darul Takzim
Tel No : 607-597 3399
Fax No : 607-599 4694
Website : www.vs-i.com

SUBSIDIARY COMPANIES

MALAYSIA

V.S. Plus Sdn. Bhd.
PLO 129, Jalan Cyber 5
Kawasan Perindustrian Senai III
81400 Senai
Johor Darul Takzim
Tel No : 607-598 3000
Fax No : 607-598 2000

PLO 39, Jalan Perindustrian 4
Kawasan Perindustrian Senai II
81400 Senai
Johor Darul Takzim
Tel No : 607-599 4199
Fax No : 607-599 5845

Lot 214, Jalan Seelong
81400 Senai
Johor Darul Takzim
Tel No : 607-596 8989
Fax No : 607-596 8800

V.S. Electronics Sdn. Bhd.
PLO 47, Jalan Perindustrian 1
Kawasan Perindustrian Senai II
81400 Senai
Johor Darul Takzim
Tel No : 607-597 3199
Fax No : 607-599 7608

V.S. Technology Sdn. Bhd.
PLO 7, Jalan Perindustrian
Kawasan Perindustrian Senai I
81400 Senai
Johor Darul Takzim
Tel No : 607-599 5050
Fax No : 607-599 5479

Skreen Fabric (M) Sdn. Bhd.
Skreen Fabric Marketing Sdn. Bhd.
PLO 46, Jalan Perindustrian 1
Kawasan Perindustrian Senai II
81400 Senai
Johor Darul Takzim
Tel No : 607-595 9599
Fax No : 607-595 9598

V.S. Ashin Technology Sdn. Bhd.
Registered Office
Suite 7E, Level 7, Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor Darul Takzim
Tel No : 607-224 1035
Fax No : 607-221 0891

V.S. Integrated Management Sdn. Bhd.
PTD 86556, Jalan Murni 12
Taman Perindustrian Murni
81400 Senai, Johor Darul Takzim
Tel No : 607-597 3399
Fax No : 607-599 4694

INDONESIA

PT. V.S. Technology Indonesia
Jl. Cendana Raya
Blok F.10 No. 06B
Kawasan Industri Delta Silicon III
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