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V.S. INDUSTRY BERHAD

(Registration No.198201008437 (88160-P))

DAWN OF A NEW ERA

Annual Report 2019

COVER RATIONALE

DAWN OF A NEW ERA

2019 was a year of resilience for V.S. Industry Berhad as we navigated through challenging times, only to emerge stronger. Despite the global economic uncertainties, we remained steadfast and continued to adapt to changes with a sharpened focus on capturing new opportunities.

Following the Group’s expansionary path in prior years, V.S. Industry Berhad continues to forge ahead as we position ourselves to embrace a new dawn with exciting prospects. Hence, we have chosen “Dawn of A New Era” as this year’s Annual Report theme as we seek and seize exciting opportunities that arise while exploring new growth frontiers, to push us forward.

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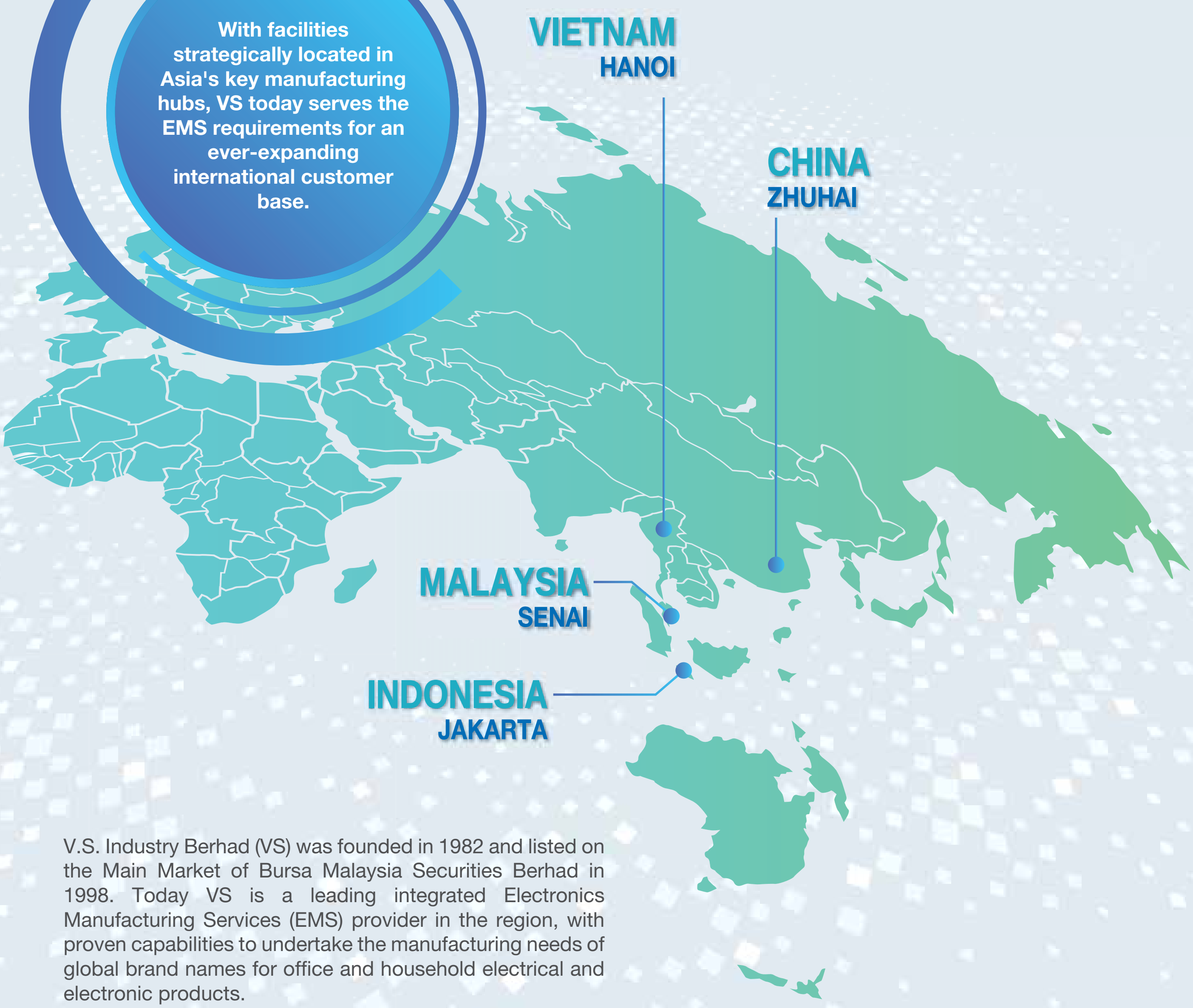
CORPORATE PROFILE

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



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 12 consecutive years from 2007 to 2018.

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

Diong Tai Pew
Independent Non-Executive Director

Tan Pui Suang
Independent Non-Executive Director

Dato' Chang Lik Sean
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 AND RISK MANAGEMENT COMMITTEE

Diong Tai Pew *(Chairman)*
Tan Pui Suang
Dato' Chang Lik Sean

NOMINATION COMMITTEE

Dato' Chang Lik Sean *(Chairman)*
Diong Tai Pew

REMUNERATION COMMITTEE

Diong Tai Pew *(Chairman)*
Dato' Chang Lik Sean

JOINT COMPANY SECRETARIES

Ang Mui Kiow
Chen Yew Ting
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 9D, Level 9, 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

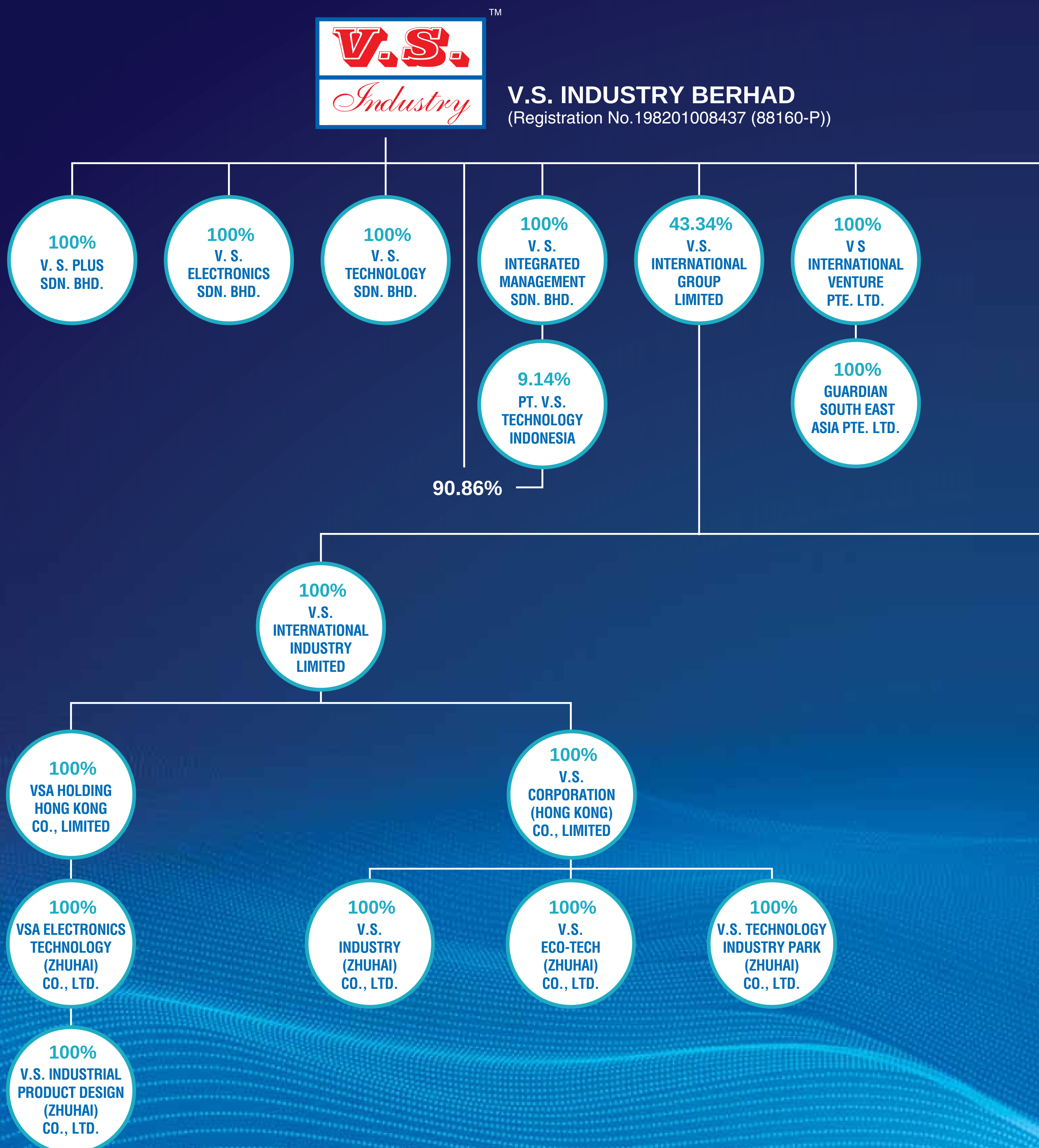
STOCK EXCHANGE LISTING

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



CORPORATE STRUCTURE
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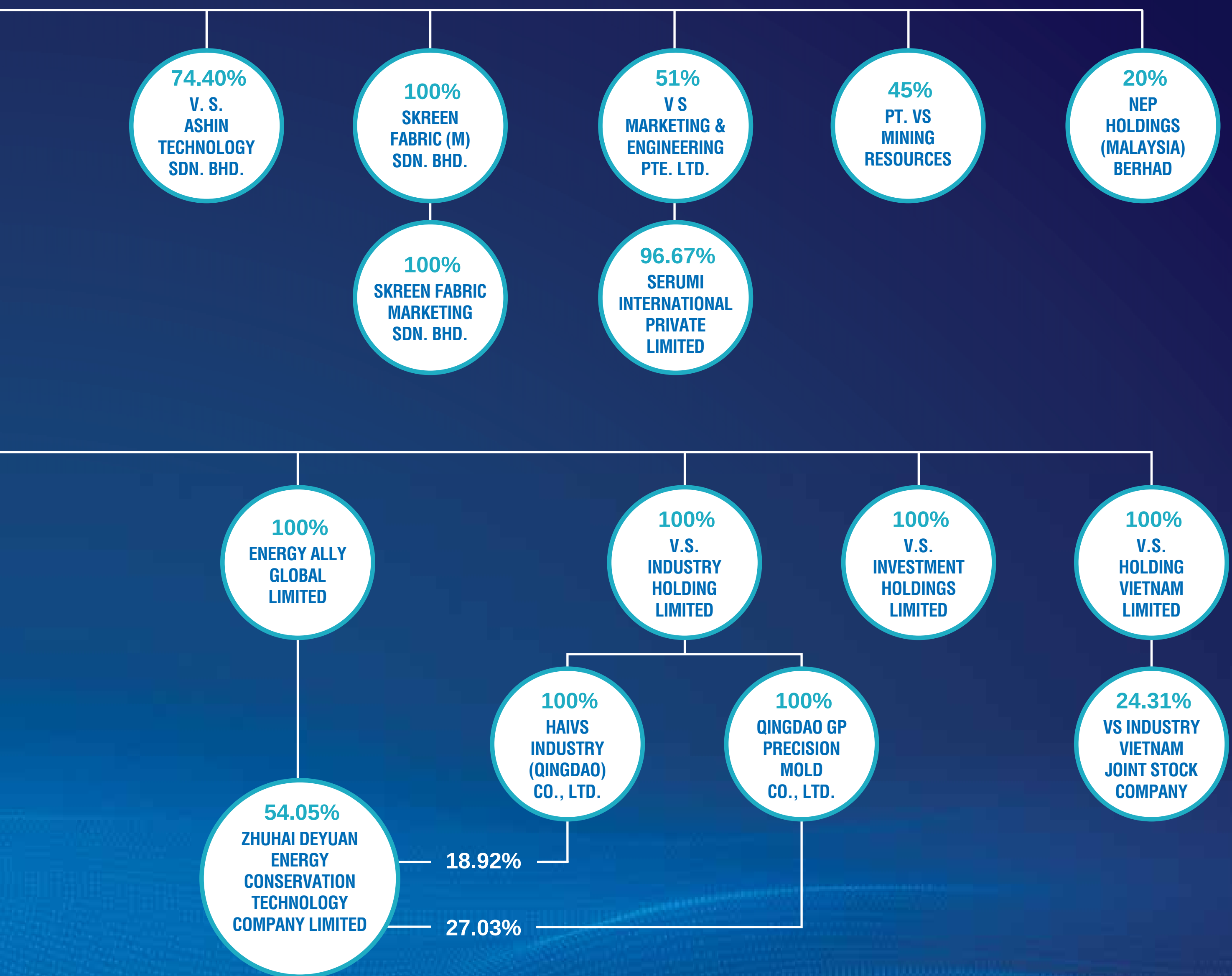


FINANCIAL HIGHLIGHTS

RM224.4 million
NET OPERATING CASH FLOW

RM2.60 billion
MARKET CAPITALISATION*

RM165.4 million
FY19 NET PROFIT

10.87%
FY19 ROE

RM379.5 million
GROSS CASH HOLDINGS

RM3.98 billion
RECORD FY19 REVENUE

0.04 times
NET GEARING (AS AT 31 JULY 2019)

4.4sen
FY19 TOTAL DIVIDEND DECLARED

5x
PAYOUT A YEAR

40% of net profit
DIVIDEND POLICY

* *Based on closing share price of RM1.40 as at 31 October 2019.*

FINANCIAL SUMMARY

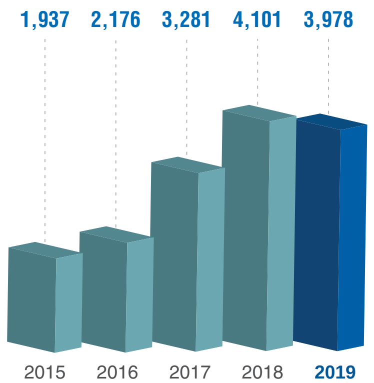
For the Financial Year Ended 31 July (RM '000)	2019	2018#	2017	2016	2015
Revenue	**3,978,350**	4,100,736	3,281,350	2,175,626	1,936,885
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	**302,252**	287,801	322,047	226,384	239,218
Earnings before Interest and Tax ("EBIT")	**203,069**	206,150	243,996	154,338	176,137
Share of Results of Associates	**(2,181)**	(6,635)	(235)	1,620	(1,569)
Profit before Tax ("PBT")	**181,856**	176,216	223,673	141,866	159,686
Net Profit after Minority Interest	**165,394**	151,074	156,319	117,928	132,739
Total Dividends Paid	**80,187***	69,382	71,639	54,876	53,946
AS AT 31 JULY (RM '000)					
Shareholders' Funds	**1,606,466**	1,437,590	1,070,910	879,903	777,034
Share Capital	**753,077**	603,303	369,109	235,169	230,848
Reserves (Net of Treasury Shares at Cost)	**853,389**	834,287	701,801	644,734	546,186
Total Assets	**3,037,600**	3,123,040	2,914,931	1,984,443	1,855,678
Net Current Assets	**803,704**	640,886	421,710	336,212	321,419
Total Borrowings	**438,788**	645,448	706,881	415,043	412,208
Cash and Cash Equivalents	**379,457**	415,636	344,919	218,401	243,742
PER SHARE					
Basic Earnings per Share (sen)	**9.3**	9.3	10.3	8.2	10.3
Total Tax-Exempt Dividend per Share (sen)	**4.4**	4.1	4.7	3.8	3.8
Net Tangible Assets per Share (RM)	**0.88**	0.85	0.7	0.6	0.6
RETURNS (%)					
Return on Average Shareholders' Equity (%)	**10.9**	12.0	16.1	14.2	20.4
Return on Average Total Assets (%)	**5.4**	5.0	6.4	6.1	7.8
FINANCIAL ANALYSIS					
Gross Margin (%)	**9.3**	9.4	14.0	15.5	14.8
Operating Margin (%)	**5.1**	5.0	7.4	7.1	9.1
PBT Margin (%)	**4.6**	4.3	6.8	6.5	8.2
Net Margin (%)	**4.2**	3.7	4.8	5.4	6.9
Gearing (Net of Cash) (times)	**0.0**	0.2	0.3	0.2	0.2
Interest Coverage (times)	**10.7**	8.8	12.1	11.0	11.8
Dividend Payout Ratio (%)	**48.5**	45.9	45.5	46.5	40.6

* *inclusive of proposed final single-tier dividend of 0.8 sen per share for shareholders' approval*
\# *restated for effect of MFRS 15, Revenue from Contracts with Customers*

FINANCIAL HIGHLIGHTS
(cont'd)

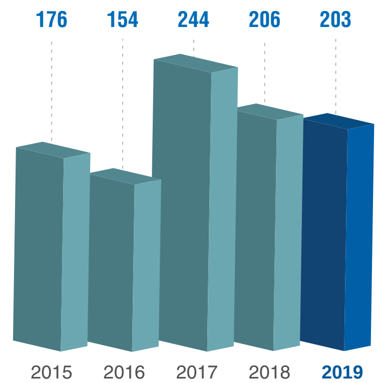
REVENUE
(RM'million)

CAGR: 19.7%



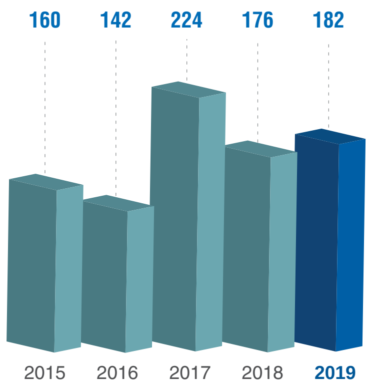
EARNINGS BEFORE INTEREST AND TAX
(RM'million)

CAGR: 3.6%



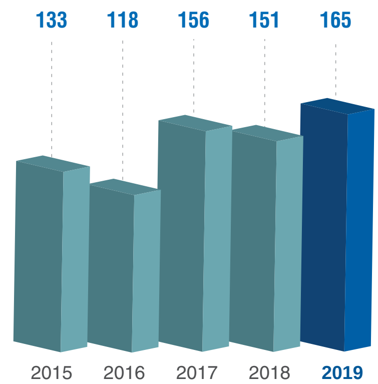
PROFIT BEFORE TAX
(RM'million)

CAGR: 3.3%

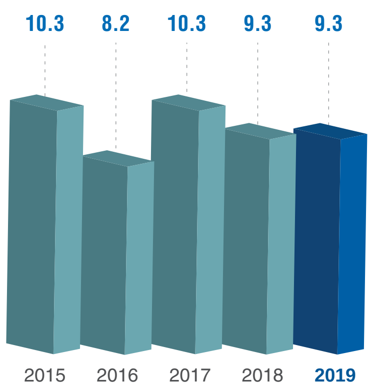


NET PROFIT
(RM'million)

CAGR: 5.5%

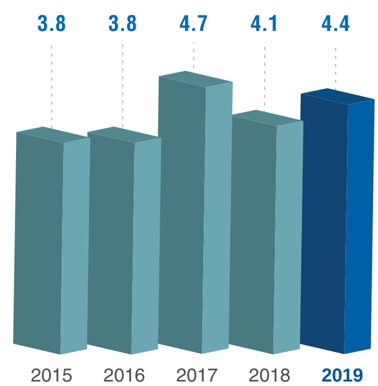


BASIC EARNINGS PER SHARE
(Sen)



TAX-EXEMPT DIVIDEND PER SHARE
(Sen)

CAGR: 3.7%



Dear Valued Shareholders,

The financial year ended 31 July 2019 ("FY2019") has been a demanding year for V.S. Industry Berhad ("VS" or the "Group") as we strive to expand our business against the backdrop of a challenging operating environment.

Nevertheless, we manoeuvred through the difficult environment by leveraging on our technical expertise, proven capabilities, and track record. This has allowed us to always emerge stronger than before.

In FY2019, we have reached another milestone for VS. We registered our best-ever profit after tax and non-controlling interest ("PATNCI" or "net profit") of RM165.4 million versus RM151.1 million in FY2018.

INDUSTRY AND BUSINESS OVERVIEW

The global economy is experiencing high degree of volatility due to the on-going geopolitical issues such as the trade dispute between the United States ("US") and China as well as the withdrawal of the United Kingdom ("UK") from the European Union ("EU") (also known as the "Brexit") to name just a few.

Consequently, these geopolitical tensions also heightened the uncertainties in the commodity and financial markets, which, further strained the existing business operating environment. According to the International Monetary Fund ("IMF"), global growth experienced a slight slowdown to 3.6% in 2018 from 3.7% the year before.

On the local front, our Gross Domestic Product ("GDP") grew 4.7% in 2018 according to the Department of Statistics Malaysia, primarily driven by the services and manufacturing sectors. The growth, while weaker compared to the 5.9% achieved in 2017, was nonetheless in line with the World Bank's expectation for Malaysia.

For the first and second quarters of 2019, the domestic economy expanded 4.5% and 4.9% respectively. The growth was once again chiefly supported by the services and manufacturing sectors. Based on the Budget 2020 by the Ministry of Finance Malaysia, the GDP growth for 2019 is expected to be 4.7%.

Over at VS, we were initially off to a good start in FY2019 but as we progressed, we started to brace ourselves for headwinds ahead in anticipation of slower orders in the second half. Fortunately, the actual impact of the softening in orders turned out to be less austere than initially thought, and instead, we closed the fiscal year on a strong note thanks to the support from our key customers.

Notwithstanding the above, we wish to reiterate and share with our valued shareholders that fluctuation in orders is part and parcel of our business in the electronics manufacturing services ("EMS") industry. In our operating history of more than 30 years, we have undergone several economic cycles and overcome various challenges. VS always emerge stronger, growing from strength to strength.

On a positive note, the US-China trade war has opened up many opportunities for the Group as various multinational corporation ("MNC") from the US are looking to shift or diversify their manufacturing base to Southeast Asia with Malaysia being one of the choice locations.

We have established a special business development taskforce to pursue these opportunities. Timing is very opportune for the Group as we have ready capacity to take on new business.

Within the short span of a few months, the taskforce has, in March 2019, clinched its first success by securing a new major customer for the Group. Not resting on its laurels, the taskforce continues to be in active discussions and negotiations with several prospective customers who are seeking to make Malaysia their new permanent production base.

While the taskforce pursues new opportunities, we have, at the same time, remained committed to our existing key customers, further building on our relationships with the focus of delivering exceptional value to them.

With these core emphases in mind, we buckled down and continued to work tirelessly. Thanks to our management's and employees' huge efforts and sheer determination, we succeeded in overcoming the many challenges faced and achieved the highest-ever net profit in the Group's history.

PROSPECTS FOR FY2020

Against the backdrop of a taxing operating environment and uncertainties in the global economy, we remain optimistic on the Group's long-term prospect. Amidst the multitude of challenges, we see and sense a number of exciting opportunities as well that would propel us forward.

Our optimism is also underpinned by the Group's solid fundamentals and strong execution skills, further boosted by recent addition of new key customer. With our proven track record and position as one of the leading EMS providers in the region, we are confident to secure new customers in the coming financial year.

On balance, it is a busy time ahead for the Group as we continue to dedicate ourselves to expand the business and enhance our shareholders' value.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our management and staff at VS for their commitment, hard work, contribution to VS as well as for collectively riding through the headwinds faced by the Group.

I would also like to thank all our other stakeholders including our valued shareholders and customers, business partners, bankers, and suppliers for their continuous support to VS.

This year, we are pleased to welcome Ms. Tan Pui Suang and Dato' Chang Lik Sean as the Independent Non-Executive Directors. Given their vast experience, we are confident that the both of them will contribute positively to the Group as members of the Board.

Additionally, I would like to offer our appreciation to Tan Sri Mohd Nadzmi Bin Mohd Salleh who relinquished his role as Senior Independent Non-Executive Director as well as Mr. Pan Swee Keat and Mr. Tang Sim Cheow who stepped down from their roles as and Non-Independent and Non-Executive Director, for their years of service and contribution to the Group.

Finally, I would like to extend my heartfelt appreciation to my fellow Board members for your dedication, valuable advice, and service to the Board. I trust that the stewardship of our Board will steer VS towards greater heights.

DATUK BEH KIM LING
Executive Chairman

OVERVIEW

FY2019 has been a year that was full of trials and tribulations, but it was also a year that we emerged triumphant against all odds, having registered the best-ever net profit of RM165.4 million in the history of our Group. This was achieved notwithstanding the difficult business operating conditions as well as many uncertainties in the global economy. Despite these challenges, we never relented but instead, continued to push the Group forward towards greater heights, delivering value to our stakeholders as these spirits are deeply ingrained in VS' DNA.

VS currently ranks 23rd in the Top 50 electronics manufacturing services ("EMS") companies in the world according to the latest Manufacturing Marketing Insider. This is the twelfth consecutive year the Group has been listed as one of the top 50 EMS providers in the world since 2007. Regionally, we are the 5th largest EMS player in ASEAN while we are the largest in Malaysia.

In addition to the record-breaking net profit, the chart below highlights several of our achievements in FY2019 against the backdrop of a tough business environment.

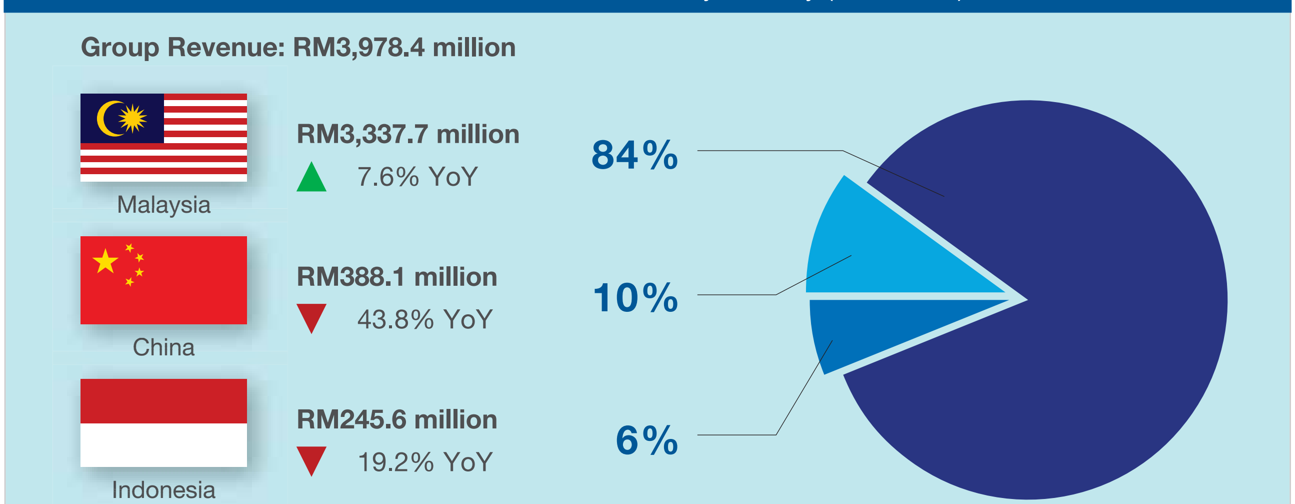
ACHIEVEMENT HIGHLIGHTS	
Achieved record-high net profit of RM165.4 million.	Retained the position as the largest local EMS player in Malaysia.
High cash & cash equivalent of RM379.5 million and a low net gearing of 0.03x.	Ranked 5th in Manufacturing Marketing Insider's 2018 Top 50 EMS providers in ASEAN.
Stronger net operating cash flow generation of RM224.4 million.	Ranked 23rd in Manufacturing Marketing Insider's 2018 top 50 EMS in the World.

FINANCIAL PERFORMANCE REVIEW

VS posted a revenue of RM3.98 billion in FY2019, which was a slight dip of RM122.4 million or 3.0% year-on-year ("YoY") from RM4.10 billion a year ago. The top-line blip was largely caused by the weaker contribution from our Indonesia and China segments. On the other hand, our operations in Malaysia registered a commendable growth and partially offset the softer overseas contributions.

Malaysia Continued To Be The Largest Revenue Contributor

FY2019 Revenue Breakdown By Country (RM million)



MANAGEMENT DISCUSSION AND ANALYSIS

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Geographically, Malaysia remained the anchor revenue driver at VS. Our local operations contributed RM3.34 billion or 84% to total turnover in FY2019. The increase of RM235.9 million or 7.6% YoY was chiefly due to higher sales orders from our key customers.

As a result, the local operations recorded a profit before tax ("PBT") of RM267.8 million in the financial year under review. This represented a rise of RM69.3 million or 34.9% YoY. The larger-than-proportionate rise in PBT was attributed to improvement in production efficiency leading to greater economies of scale along with the absence of set-up costs associated with commissioning of new lines incurred in FY2018. Additionally, a more favourable product sales mix was also another contributing factor.

Meanwhile, our China segment experienced a decline of 43.8% YoY in FY2019 to RM388.1 million due to absence of large sales order. This resulted a lack of economies of scale for the production in China which in turn, caused under-utilisation of facilities there. Consequently, we incurred a loss before tax ("LBT") of RM83.0 million for financial year under review. Note that the LBT also included a net loss on disposal of plant and equipment, impairment loss on plant and equipment as well as termination benefits to staff and employees totalling to approximately RM35.0 million.

Over in Indonesia, revenue decreased 19.2% YoY to RM245.6 million in FY2019, resulting in lower PBT of RM1.0 million achieved for the year. The decline in revenue and profit largely stemmed from a change in product model mix.

On the profit after tax and non-controlling interest ("PATNCI" or "net profit") level, we reported a net profit of RM165.4 million in FY2019. This is the highest-ever in the Group's history. The RM14.3 million or 9.5% YoY improvement was primarily driven by the solid performance delivered by the Malaysia segment.

CAPITAL STRUCTURE AND RESOURCES

As at 31 July 2019, the equity attributable to owners of the company stood at RM1.61 billion. This was 11.7% higher YoY as compared to RM1.44 billion a year ago. The increase was mainly attributed to higher retained profits and conversion of warrants.

Meanwhile, VS' total assets decreased 2.7% YoY to RM3.04 billion in FY2019 due to, amongst others, lower investment in associates, other investments, and assets held for sale, and lower gross cash holdings.

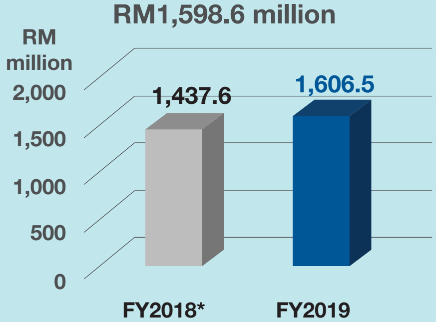
The Group's cash and cash equivalent stood at RM379.5 million in FY2019 and at the same time, our total borrowings was reduced to RM428.4 million from RM645.4 million in FY2018. With the reduction in borrowings, our net gearing improved to 0.03x from 0.16x a year ago.

The healthy net gearing and cash and cash equivalent level provides us the flexibility and capability to swiftly seize any good business opportunities that arise.

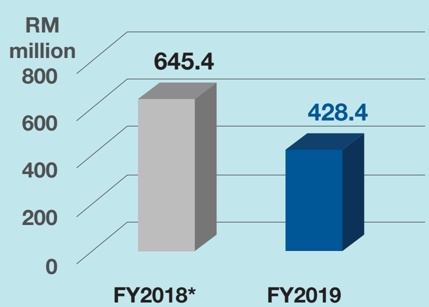
We incurred a capital expenditure ("CAPEX") of approximately RM141.6 million in the financial year under review. The CAPEX was invested mainly for our capacity expansion as well as a hostel building for our workers. Besides this, part of the amount was spent on our annual investment and maintenance on machineries and R&D activities. These investments were funded through a combination of internally generated funds and bank borrowings.

The Group also generated a strong net cash flow from operating activities ("NOCF") amounting to RM224.4 million in FY2019, up from RM215.1 million a year ago.

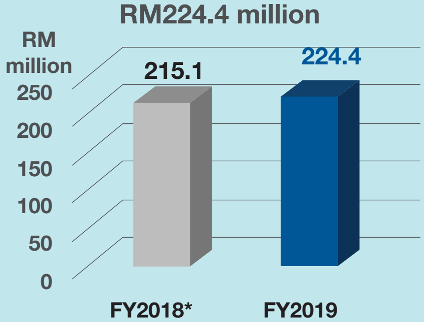
Equity Attributable to Owners of the Company
RM1,598.6 million



Total Borrowings
RM428.4 million



Net Cash Flow from Operating Activities
RM224.4 million



**Restated following the adoption of MFRS 9, Revenue from Contracts with Customers & MFRS 9, Financial Instruments*

BUSINESS AND OPERATIONAL REVIEW

The Group kicked off the financial year on a solid note. However, very soon after, we started to brace for a bumpy road ahead in anticipation of slower orders in the second half of the fiscal year based on our customers' production volume forecast at that point of time.

While this was somewhat unexpected, we are nevertheless accustomed to sailing through ups and downs in our business. Fluctuations in orders can and do happen in our industry. In fact, it is part and parcel of our business. A case in point was during the preceding fiscal year, we also experienced lower orders from a key customer that affected our financial performance in FY2018, but production volume has since recovered.

As we progressed further into the fiscal year, the net impact from the aforementioned projected slowdown turned out to be milder than initially expected, as additional orders came in for some products which helped cushioned the slower orders for other products.

The year was indeed eventful – akin to a roller coaster ride. On one hand, the management was kept busy managing fluctuation in sales orders, while on the other hand, the team sensed new business opportunities sprouting.

The on-going US-China trade tension has opened up a lot of opportunities for the Group as MNCs are seriously considering relocating their manufacturing base to Southeast Asia. Malaysia, and in particular, VS, as one the top 5 EMS providers in ASEAN, stands to benefit from this move.

This was timely for us as well given the fact that we have two new facilities with a combined production floor space of more than 300,000 square feet ("sf") ready to take on new business. To recap, we have over the past two years acquired a 160,000 sf factory and constructed a new 180,000 sf factory near our existing facilities. These two additional facilities boosted our total production cum warehouse space to more than 3 million sf within the Group.

A special business development taskforce was established to focus and capitalize on these new opportunities. And in just a few months, the taskforce delivered its first win by landing BISSELL, Inc. ("BISSELL") as our new key customer in February 2019, following the signing of Master Supply Agreement ("Agreement") between our wholly-owned subsidiary, Guardian South East Asia Pte. Ltd. ("Guardian") and BISSELL International Trading Company B.V. ("BITCBV"), part of the BISSELL Group.

BISSELL is a leading innovative homecare solutions company in the US with more than 140 years of history. The success is also a testament to VS' manufacturing capabilities as we are BISSELL's first supplier in Southeast Asia.

Under the Agreement, VS shall manufacture selected BISSELL brand homecare products on box-build assembly basis, that is, provision of end-to-end processes from production to assembly, testing, packaging, labelling and logistics arrangement.

We have dedicated a plant for BISSELL as we see great growth prospects in them and believe their orders would progressively grow into considerable size.

As for our operations in China, it remained highly challenging. The US-China trade dispute, while beneficial to Malaysia, is affecting business sentiment in China, adding further pressure to our operations there. Performance continued to be impinged by rising cost and keen competition, in addition under-utilisation due to lack of sizeable order.

Over in Indonesia, we continued to undertake printed circuit board assembly ("PCBA") and sub-assembly jobs for our existing clientele. The operating environment remained challenging as well and our focus was on improving production efficiency to keep cost in check.

Looking at the Australia-based but London-listed Seeing Machines Limited ("SML"), in which VS is one of the largest shareholders with a 12.3%-stake, landed a contract to install its artificial intelligence ("AI")- powered driver monitoring system, known as Guardian, across the fleet of one of Canada's largest haulage companies, Bison Transport. Guardian achieved a significant milestone in 2019 by travelling more than 1 billion kilometres, keeping commercial fleet drivers in more than 24 countries safe.

OUTLOOK AND PROSPECTS

Having registered our best-ever net profit in FY2019, we will not take our foot off the pedal. We are continuously working tirelessly to keep the momentum going in order to maximise our shareholders' value.

Our business development taskforce remains engaged with prospective customers to negotiate terms while pursuing sales leads arising from the trade dispute. The Board is positive that the Group could secure new customers in the coming financial year.

Operationally, we are committed to delivering exceptional quality on timely basis to our existing customers as it is indeed our passion to help grow their business, which in turn, would lift our performance as well.

We continue to implement automation solutions where economically feasible to drive productivity higher and manage our factory headcount. Enhancing our information technology systems to improve real-time data capture is also on our agenda.

For our China segment, we expect the operating environment to remain highly challenging. The issue of underutilization of capacity is expected to prevail as local customers in China are adopting a wait-and-see attitude and withholding orders due to economic uncertainties.

As counter-measures, we have been streamlining our operations, formulating a stronger financial position via an asset-light model with lower-gearing structure and higher liquidity. By adopting an asset-light and lower-cost model, the Group endeavour to be able to improve its operational flexibility, as well as strengthen and stabilise its financial position to minimise adverse impact on the business operations.

On the other hand, similar to our Malaysia operations, our Indonesia segment has received business enquiries from potential customers looking to shift manufacturing base to Indonesia from China. This bodes well with our plan to boost production in order to attain greater economies of scale. We are carefully assessing the enquiries and would share good news with our shareholders should the leads come to fruition.

On balance, the Board remains optimistic on the Group's long-term prospect despite some short-term challenges. This is underpinned by VS' solid fundamental, strong execution skills, recent addition of new key customer, and potential future contract win. With more than 30 years of operating history, the Group is after all, helmed by an experienced and hands-on management team, capable of weathering through the business cycle. In conclusion, we at VS remain highly committed to delivering value to customers, employees and shareholders and other stakeholders.

ANTICIPATED OR KNOWN RISKS

Currency risks

As an export-oriented manufacturer, VS is exposed to currency risks. The Group has transactions in, amongst others, United States Dollar ("USD"), Euro, Singapore Dollar, Japanese Yen, and Hong Kong Dollar. The USD/RM rate is the main component of VS' currency risks as its exposure to other currencies is minimal.

To minimise the risk, 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.

Changes in regulations and policies

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

Apart from ensuring our operations comply with all the regulations and policies, we are actively engaging 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 our countries of operations pose a major risk to our financial performance. Consumer and business sentiments could be affected stemming from the escalation of the conflicts, and in turn, potentially affecting our business.

Since the US-China trade war started in 2018, several rounds of tariffs have been imposed on various exported products from China. As mentioned above, the trade dispute has further burdened our operations in China. Sales orders from our US customer has reduced in China while local Chinese customers are holding back their orders due to the uncertainties surrounding the business environment.

As part of our mitigation efforts, we remain focused on the execution of our restructuring plans in China. As mentioned earlier, the Group has been streamlining operations in the country to formulate 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.

While the trade tensions adversely impacted our operations in China, our business in Malaysia on the other hand, has benefited from the inflow of US brand owners looking to build a new permanent production base in Malaysia.

On balance, we take geopolitical risk in our stride and would implement countermeasures accordingly to manage the risk.

DIVIDEND

The Board has proposed a final dividend of 0.8 sen per ordinary share for the financial year ended 31 July 2019, subject to the shareholders' approval at the forthcoming AGM.

For the year under review, the Board had earlier declared four interim dividends totalling 3.6 sen per ordinary share. Together with the final dividend, total dividends for FY2019 would be 4.4 sen as compared to 4.1 sen in FY2018 (FY2018 dividend figure was adjusted for 1-for-4 bonus issue effective 14 May 2018).

The total dividends for the financial year under review represents a 49% payout of FY2019 net profit, which is above our dividend policy of distributing at least 40% of net profit.

DIRECTORS' PROFILE

DATUK BEH KIM LING
Executive Chairman
Age 61, 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 34 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 63, Male, Malaysian

Datuk Gan Sem Yam is the Managing Director of V.S. Industry Berhad.

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 34 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 65, 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 34 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 59, 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 34 to the financial statements. He has not been convicted of any offences within the past five (5) years.

NG YONG KANG
Executive Director
Age 58, 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.

DIONG TAI PEW
Independent Non-Executive Director
Age 68, Male, Malaysian

Diong Tai Pew joined the Board on 2 April 2018. He is the Chairman of the Audit and Risk Management Committee as well as Remuneration Committee, and a member of the Nomination Committee.

Mr. Diong graduated from Tunku Abdul Rahman College, Malaysia, with a Diploma in Commerce in 1976. He 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.

TAN PUI SUANG
Independent Non-Executive Director
Age 48, Female, Malaysian

Tan Pui Suang was appointed to the Board on 15 March 2019. She is a member of the Audit and Risk Management Committee.

Ms. Tan is a Fellow of the Association of Chartered Certified Accountants ("FCCA"). She has extensive corporate experience, in the areas of corporate finance and planning, financial management and audit. She is currently the Director of Finance and Corporate Services of University of Reading, Malaysia.

Her past roles include Asia Pacific Regional Operations Controller with TechnipFMC Asia Pacific, a multinational oil and gas services group listed on both the New York Stock Exchange ("NYSE") and Euronext Paris ("EN-Paris"), Corporate Planning Manager with Malaysia Marine and Heavy Engineering Holdings Berhad, a company listed on the Main Market of Bursa Securities Malaysia Berhad and Senior Audit positions in Deloitte & Touche in Singapore.

Ms. Tan does not have any family relationships with any director or major shareholders of the Company, nor does she have any conflict of interest with the Company. She has not been convicted of any offences within the past five (5) years.

DATO' CHANG LIK SEAN
Independent Non-Executive Director
Age 45, Male, Malaysian

Dato' Chang Lik Sean joined the Board on 1 April 2019. He is the Chairman of the Nomination Committee, and a member of the Audit and Risk Management Committee as well as Remuneration Committee.

He brings with him a wealth of technical experience and expertise in the Internet Technology ("IT") and telecommunication industries, having gained exposure in the areas of technical specification and evaluation, design and development, contract negotiations, project management, resource management, business strategy and business development.

In 2001, he founded MV Group of Companies, which is principally involved in providing IT and telecommunication products and solutions. He presently serves as the Chairman of MV Group of Companies.

Dato' Chang graduated from the University of Northumbria, UK with a Bachelor (Hons) in Electrical and Electronic Engineering in 1999. He then furthered his studies and obtained a Master of Science in Computing Programming from University of Northumbria, United Kingdom in 2001. Dato' Chang later attained a Diploma in Industrial Robotics from First Robotics Industrial Science ("FRIS") Institute, Penang in 2008.

Dato' Chang does not have any family relationships with any director or major shareholders 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 52, 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.

GAN PEE YONG

Alternate Director to Ng Yong Kang
Age 34, 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 34 to the financial statement entered into by the connected persons. 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 34, 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 System and technology management at VSIG and General Manager of Management Information System at V.S. Industry Berhad.

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 34 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 54, 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 68, 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 51, 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.

As a leading local Electronics Manufacturing Services ("EMS") provider, V.S. Industry Berhad recognises the responsibility we shoulder in creating economic, environmental and social ("EES") values to the Group's surroundings.

Thus, we continuously strive to communicate our areas of achievements and challenges in regard to sustainability, to our wide array of stakeholders through the Sustainability Statement (the "Statement"). Consistent with our commitment to enhance the Group's sustainability performance and disclosure, we are pleased to present our third Sustainability Statement entailing the company's journey to sustainability.

Report Scope and Boundary

This report describes how we report and manage the Group 's risks and opportunities in EES aspects pertaining to our material issues.

The content of this Statement covers 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 business activities of VS Industry are related to manufacturing, assembly and sale of plastic mould components and parts, as well as the Group's electronics business segment. Together, they contribute more than 80% of the Group's total revenue.

The reporting period for this Statement aligns with VS Industry's financial year from 1 August 2018 to 31 July 2019 ("FY2019"), unless otherwise stated. Where possible, historical information were included to provide comparative data.

Reporting Standards

This Statement was prepared in accordance to Main Market Listing Requirements ("Listing Requirements") and guided by Bursa Malaysia Securities Berhad's Sustainability Reporting Guideline.

As we move forward, we will continue to refine our reporting on the Group's sustainability developments to effectively engage our stakeholders.

EMBEDDED SUSTAINABILITY

Sustainability is a guiding principle within VS Industry and deeply rooted across our value chain. This means anchoring our day-to-day operations to a defined strategy and framework. Our Sustainability Framework is built upon 5 Pillars – Environment, Welfare of the Employees, Community, Marketplace and Supplier.

With these 5 Pillars, we are committed to become a sustainability-led innovator with an integrated and resilient workforce, while maintaining community and eco-friendly consciousness.

At VS Industry, product innovation is essential to our development and growth. Keeping this in mind, we continue to build our capabilities with the advancement in technology, as we push towards sustainability-led innovations.

We believe that our people are our biggest asset in the path towards success. Hence, we focus on creating an integrated and resilient workforce through solid policies and practices which cultivate a safe and healthy working environment promoting fair treatment and talent progression for our workers.

Carrying out our operations with a community and eco-friendly consciousness is important to the Group. In every step of the value chain, we are mindful of the impact our businesses have on our surroundings and aim to operate in a more sustainable manner.

Sustainability is an ongoing journey and we remain focused on enhancing our approach to deliver long-term value and inclusive growth while remaining as the preferred business partner. This year, we continue to strengthen our efforts by mapping the Group's initiatives against the United Nations Sustainable Development Goals ("SDGs") and the Eleventh Malaysia Plan ("11MP") Strategic Thrusts. Diagram 1 below depicts our Value Creation model.

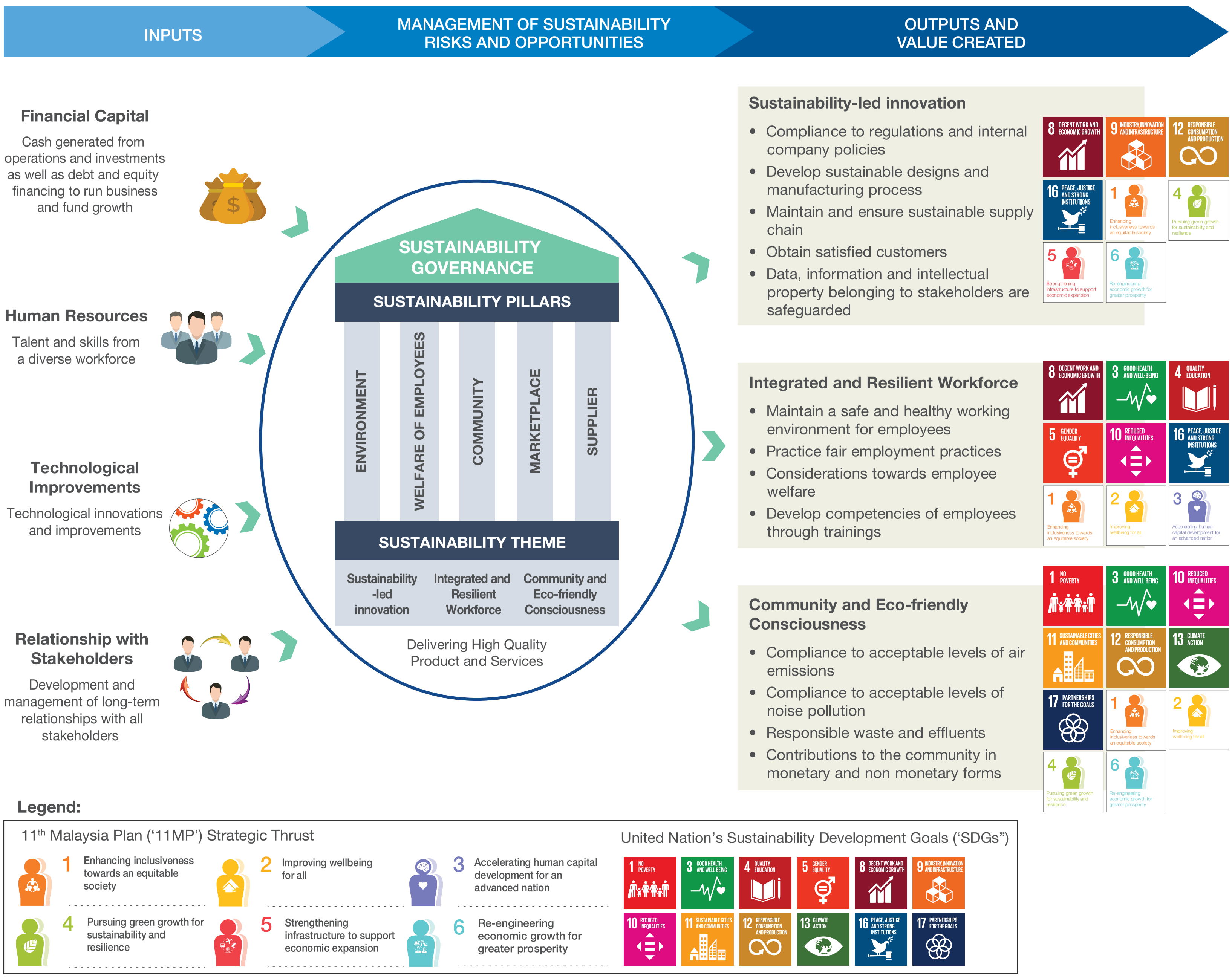


Diagram 1: Value Creation Model

We are proud to share that VS Industry has been included in the FTSE4Good Bursa Malaysia ("F4GBM") Index since June 2018.

As of October 2019, we are one of the 71 constituents that make up the F4GBM Index, featuring public-listed companies that have met stringent environment, social and governance criteria. Our qualification for this Index reflects our constant pursuit towards sound corporate governance and good sustainable practices.

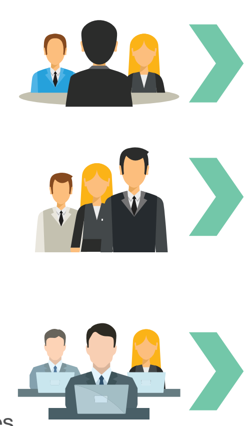
We have a "Sustainability Policy" in place, iterating our commitment to best practices and standards, as we endeavour to maintain a delicate balance between company growth and managing the expectations of our stakeholders. Our "Sustainability Policy" is outlined below:

- 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.

SUSTAINABILITY GOVERNANCE STRUCTURE

We are committed to upholding the highest standards of corporate governance at VS Industry. In 2017, we reached a milestone in our sustainability journey with the formation of a Sustainability Working Group ("SWG"). The SWG, chaired by the Group Financial Controller, comprises representatives from various functions and is responsible for ensuring proper execution and monitoring of sustainability-related initiatives are being carried out Groupwide. Since its establishment, the SWG has been providing updates of the Group's sustainability performance and recommendations to the Managing Director ("MD") and Board of Directors ("BOD" or the "Board").

The Senior Management ("SM") team, led by the Group MD, is responsible for overseeing the implementation of Group's sustainability strategy set by the BOD. The Board's role is to guide and steer the strategy to ensure alignment with VS Industry's overall business direction. It also has the ultimate decision-making authority over all sustainability-related matters. Backed by a robust governance structure, we are confident of making progress in our sustainability journey to deliver better stakeholder outcomes.



ROLES & RESPONSIBILITIES

Board of Directors

- Has oversight on all sustainability-related matters.
- Responsible to promote and integrate sustainability in the Group's business strategy.

Senior Management

- Chaired by MD and supported by various members of Senior Management team.
- Has authority on implementation of sustainability-related initiatives and decision-making from the Board. A designated member of the Board is appointed to supervise the Senior Management team.

Sustainability Working Group
Head of Finance
Head of Supply Chain
Head of Marketing
Head of Human Resources
Head of Operations

- Chaired by the Group Financial Controller and supported by Head of Departments/sustainability champions from various functions within the Group.
- Responsible for the execution, monitoring and reporting of the sustainability-related initiatives.

Legend:
Direct reporting line

Diagram 2: Sustainability Governance Structure

ENGAGING OUR STAKEHOLDERS

We aspire to create shared value by engaging our internal and external stakeholders on key sustainability topics. Staying connected to these groups is vital to the development of the Group's sustainability strategy as well as long-term growth. Understanding our stakeholders' perspectives allows us to have valuable insights that can help us better manage their expectations while strategizing the Group's business decisions.

Table 1 below is a summary of our stakeholder groups with methods of engagement, as well as key areas of interest.

Stakeholders	Engagement Methods	Areas of Interest	How We Responded
Board of Directors	• Board meetings • Annual General Meetings • Company-organised events	• Corporate governance • Company direction and strategy	• Theme 1: Sustainability-led Innovation • Theme 3: Community and Eco-friendly Consciousness
Major shareholders	• Annual General Meetings • Investor presentations and meetings • Annual reports • Media releases • Corporate website	• Dividend • Return on investment • Financial performance • Share price performance	• Theme 1: Sustainability-led Innovation
Employees	• Induction training • Learning and development programmes • Employees' performance appraisal • Corporate-organized events	• Occupational safety and 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 • Quarterly business review meeting/Scorecard	• Manufacturing quality • Manufacturing capacity • Research & development • Equitable business operations	• Theme 1: Sustainability-led Innovation
Suppliers	• Interview • Evaluations / Re-evaluations • Face-to-face interactions • Scorecard	• 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
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

Stakeholders	Engagement Methods	Areas of Interest	How We Responded
Analysts / Media	• Press conference and events • Media releases • Media interviews • Analyst briefings	• Company performance • Responsible business practices • 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 Organisation	• Public events • Face-to-face interactions • Corporate social responsibility-related activities	• Working conditions • Labour rights • Corporate social responsibility • Community wellbeing	• Theme 2: Integrated and Resilient Workforce • Theme 3: Community and Eco-friendly Consciousness

Table 1: Stakeholder Engagement Methods and Areas of Interest

During the year under review, we continue to strengthen our stakeholder engagement efforts and performed a structured stakeholder prioritisation exercise to determine and prioritise our stakeholders based on the level of influence and dependence on VS Industry. The results of our stakeholder prioritisation exercise are illustrated in Diagram 3 below.

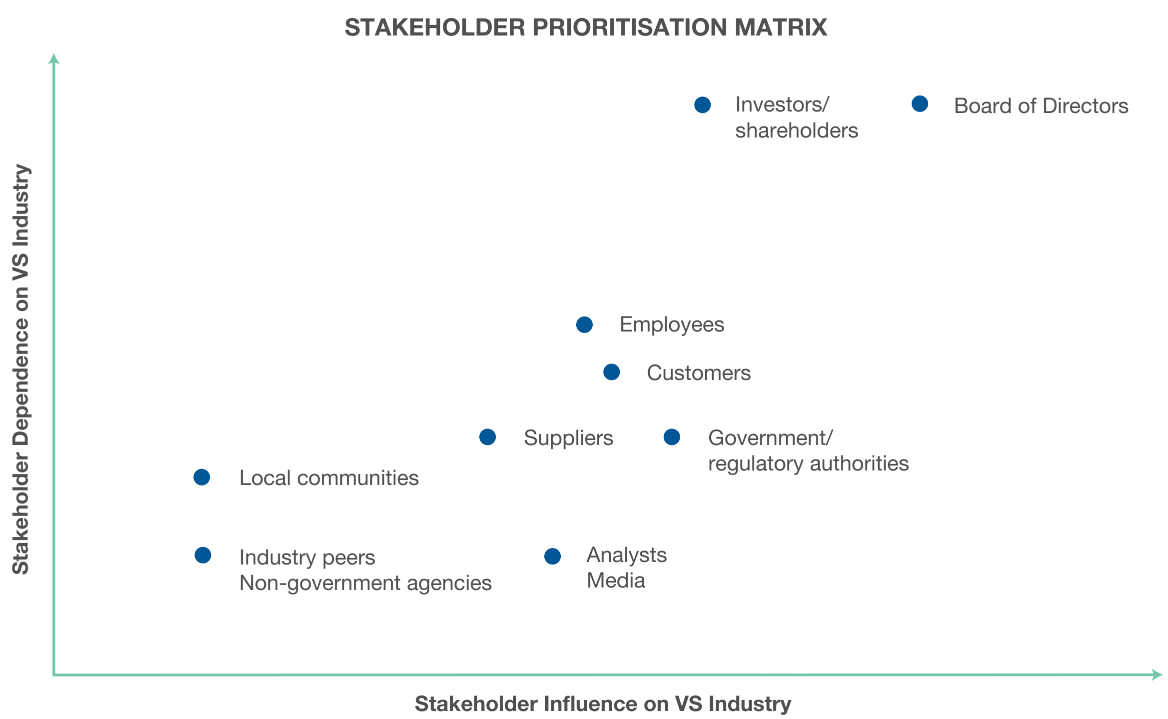


Diagram 3: Stakeholder Prioritisation Matrix

SUSTAINABILITY STATEMENT
(cont'd)

OUR MATERIAL TOPICS – WHAT MATTERS TO OUR STAKEHOLDERS

Our approach to determining our material topics in economic, environmental and social aspects ("sustainability matters"), follows a formal materiality assessment process. In the initial stage of the process, we identified a list of potential sustainability matters relevant to the Group and the industry we operate in. This evaluation includes internal and external factors such as our business strategy and risks, peer reports, industry specific publications and international voluntary reporting standards.

Subsequently, through a structured assessment, representatives from the Senior Management team deliberated and prioritised on the Group's most central matters. We also took into account our key stakeholders' views as we engaged them to determine topics most crucial to them. Following this process, we are more equipped to manage our sustainability-related performance. We used a materiality matrix to assess the material topics identified by our stakeholders, as shown in Diagram 4.

MATERIALITY MATRIX

Diagram 4: VS Industry's Materiality Matrix

Our material topics are ranked and categorised across three main sustainability themes – Sustainability-led Innovation, Integrated and Resilient Workforce, and Community and Eco-friendly Consciousness - while aligning to the UN SDGs and 11MP, as displayed in Diagram 5.

Details on management's approach in managing the identified matters are explained in the next sections. This includes key practices we follow and benchmark indicators we monitor. For this reporting period, we have not disclosed our performance and approach pertaining to these four material matters – Strategic Partnerships and Alliances, Business Development and Expansion, Energy Management and Water Management – due to data sensitivity or lack of data. Nonetheless, we are working towards improving our performance monitoring on these sustainability matters in the coming disclosures.

	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

In today's competitive era, we understand the importance of creating an edge to stay pertinent. At VS Industry, we continuously look for opportunities to improve our core competencies and capabilities in order to deliver greater value to our customers. We endeavour to provide high quality products with cost optimisation through our sustainability-led innovations across the Group's value chain, from the designing of the product to enhancing customer experiences, while upholding integrity in our business activities.

CUSTOMER SATISFACTION

We understand that customer satisfaction is one of the most fundamental aspects in establishing a competitive advantage in today's ever-changing business landscape. Addressing our customers' needs is the Group's primary responsibility as we strive to build a solid reputation through the delivery of a high-quality experience.

Drawing on the Group's expertise, we support our clients by transforming their ideas into world-class electronic products through our integrated offering.

Our involvement stretches from the early concept stages in our customers' value chain where we assist them in technical, environmental and economic aspects. Keeping our customers' needs in mind, we work towards building our competencies to cater to their evolving demands in a timely and cost-efficient manner.

Customer Satisfaction Feedback

Customer satisfaction is one of the Group's main priorities. In our continuous efforts to improve on the Group's services and delivery, we source for feedback from our key customers using a Scorecard on a bi-annual basis. We then integrate the feedback we receive, through customer engagement and surveys, in developing new products.

The Scorecard takes into consideration our key customers' views on VS Industry's quality, service, delivery, cost, supply chain and innovation. The feedback is then reviewed using our Scorecard Review system and reported in our Customer Satisfaction Index ("CSI") – a core measure for continuous improvement promoting customer-centricity. Table 2 below shows our results in this area.

Customer Satisfaction Index		
Target	**2019**	**2018**
85%	75%	80%

Table 2: VS Industry's Customer Satisfaction Index

In 2019, our CSI decreased to 75% from 80% in 2018. This drop can be attributed to several areas in our operations that did not meet certain expectations during the Responsible Business Alliance ("RBA") Audit. At this moment, we remain focused on our efforts to improve our internal processes to meet all RBA requirements.

Nonetheless, we received lower number of complaints of 11, as compared to 19 in 2018. This year, there were concerns raised in relation to a defect in a customer's product. Our team responded by observing and tweaking the product alignment in order to resolve the issue. We always seek to learn from our customers' reviews and address those issues swiftly to uphold our level of service and quality.

Responsible Business Alliance Assessment

Our customer relationships are further enhanced with the compliance of the RBA Code of Conduct, which outlines practices within the electronics industry that promote fair and safe working conditions along with adoption of environmentally friendly manufacturing processes, while ensuring welfare of the workers at the same time.

Fulfilling the RBA guidelines is a demonstration of our commitment to abide by the principles of corporate social responsibility. We use the RBA Self-Assessment Questionnaire ("SAQ") to assess our facilities. The SAQ facilitates the identification of social, environmental, safety and ethical risks, as we develop and implement improvement as well as corrective action plans to manage those risks.

In 2019, 2 RBA Audits were carried out on VS Industry. Through the SAQ, one identified area of risk was the working hours of our employees. We responded with an improvement plan to hire more workers in order to alleviate the workload and resolve the matter.

CORPORATE GOVERNANCE AND ETHICAL BEHAVIOUR

Our growth and success are centred around a framework of sound corporate governance principles, practices and processes. VS Industry strives to uphold the highest standards of governance, ethics and compliance across our operations as we aim to protect the interest of our stakeholders and enhance shareholders' value. We believe good corporate governance and effective corporate practices lay the foundation for sustainable development of the Group. Keeping this in mind, we have several policies and initiatives in place, as displayed in Table 3 below.

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 is communicated to all our employees through the employee on-boarding program to ensure full understanding of and conformance to it in VS Industry's work culture. All employees are required to adhere by the following, among others: • 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.

VS Industry's Policies	
Policies	**Description**
Whistleblowing Policy	We are committed to maintain the highest standards of integrity, openness, probity and accountability in our day-to-day business activities. Our Whistleblowing Policy provides a platform to inform of any suspected cases that include fraud, corruption, unethical behaviour, malpractices, illegal act or failure to comply with regulations, misappropriation and other irregularities occurring within the Group. The Whistleblowing Policy states that any complaints are to be directly submitted to the Senior Internal Audit Manager, who will then report to the Chairman of the Audit and Risk Management Committee ("ARMC"). Next, the issue will be discussed with the Chairman of the ARMC to decide on the appropriate course of action. The Whistleblower can be assured that the report will remain confidential and he or she will be protected from any detrimental action as a direct consequence of the disclosure. Employees are also safeguarded from reprisal and/or retaliation from their superiors or Head of Department. For more information on the policy and procedure, please refer to the "Corporate Governance" section at this link: http://www.vs-i.com/investors/
Business Code of Conduct & Ethics	Our Code of Conduct presents our obligation and commitment to ethical business practices. It describes standards that apply to VS Industry's employees and certain third parties acting on our behalf. Our Business Code of Conduct provides guidelines to maintain integrity covering these areas: i. Labour • To uphold human rights of our employees in accordance to Law of Malaysia and treat them with respect and dignity. ii. Health and Safety • To ensure a safe and healthy working environment for employees with minimization of work-related injury and illness iii. Environmental • To remain compliant with environmental rules and regulations, with practices in line with "green" principles. iv. Ethics • To comply with best practices under the Malaysian Code of Corporate Governance to enhance and protect long-term shareholders' value.

Table 3: VS Industry's Policies

Our policies undergo a regular review to ensure they are relevant to the current business environment and legislative requirements. We continually make improvements to our practices with the goal of operating ethically and in compliance with the laws, rules and regulations in various locations where we are present. We are pleased to state that there were no cases of ethics and integrity breaches reported in 2019 and 2018.

DATA PRIVACY AND SECURITY

The protection of our stakeholders' privacy is of paramount importance to us. Data security allows us to forge trust and maintain long-term partnerships with our stakeholders. We are committed to safeguarding confidential information we have access to through our business transactions, so as to maintain the trust between the Group and our partners.

VS Industry continues to comply with the relevant privacy and data security legislation requirements of the Personal Data Protection Act 2010 ("PDPA") and has implemented a Personal Data Protection Policy since 2013. The policy stipulates that we shall not process personal data ("PD") unless the owner of the PD has given consent, and that the collected PD shall only be sufficient for the intended purpose. All prospective suppliers, customers, employees and other individuals who disclose their PD will have to sign the PDPA notice in compliant with the PDPA.

We continue to strengthen our systems to prevent PD loss by establishing an enterprise level security information force. In 2019, we invested approximately RM85,600 to enhance our data security protection system. We have invested in the implementation of Large File Secure Transfer which allows the transfer of files with auto-encryption, built-in firewall and anti-virus features in a definable file transfer format where only the intended recipient can retrieve. At the same time, there were also licenses renewal and version upgrades made for certain software during the year.

With our data security initiatives, there were no cases of breaches reported over the last two years. As we move forward, we remain focused on improving our existing processes to safeguard our data security.

SUSTAINABLE DESIGN & MANUFACTURING

We are a market leader in the local Electronic Manufacturing Services ("EMS") space and we aspire to remain at the forefront with the innovation of quality products while putting sustainability top of mind. With the rapid pace of globalisation and technology development, there is a trend for the replacement of traditional products with innovation-led products. We believe that this plays a key role in driving growth in our manufacturing activities.

At VS Industry, we adopt a culture of continuous improvement and collaboration to deliver the best experience to our customers. Our product development process always starts with the customer as we identify and implement strategies and technologies that will meet their requirements at every stage of the product development. Building on our deep understanding of our customers, we endeavour to remain as a preferred manufacturing partner and a key enabler within the entire product supply chain.

Lean Manufacturing Programme

We adopt lean production techniques through a Lean Manufacturing Programme with the goal of achieving operational excellence in our processes. The Programme produces results in regard to the top four wastage sources identified within the manufacturing process, listed in descending order – over-processing, cycle time, waiting time and defects. The adoption of this Programme has led to the minimisation of wasteful practices, processes and materials, reduction of the number of defects in our production and processes, while improving quality and productivity.

In 2019, we focused on achieving sustainability through process automation with the Lean Manufacturing Programme. Diagram 6 below depicts the actions we have taken in this aspect.

OBJECTIVE
Industry 3.0-Automated Process

ACTION
- Automated CWT Port Receiver Assembly
- Automated Finished Goods Palletizing

RESULTS
Reduce operational costs

Diagram 6: Lean Manufacturing Programme 2019 initiative

The 5S workplace organisation method is applied as part of the Group's Lean Manufacturing Programme which involves maintaining a clean, efficient and safe working environment. The 5S pillars, Sort (Seiri), Set in Order (Seiton), Shine (Seiso), Standardize (Seiketsu), and Sustain (Shitsuke) represent a systematic approach to workplace organisation in an effort to optimise productivity. Monthly audits and inspections at every VS Industry plant are carried out to ensure constant observance of the 5S Principles.

Product Design Innovations

Our approach to product innovation involves investing in new technology and initiatives to expand our capabilities as well as upgrade new processes and business units. One such example is through our investment in Skreen Fabric (M) Sdn Bhd ("SFSB").

To recap, VSI acquired SFSB two years ago. The addition of SFSB to the Group has increased the range of value-added services to our customers while enabling vertical integration in the EMS space, leading to cost efficiencies. SFSB, a wholly-owned subsidiary of VS Industry, manufactures and supplies screen fabric painting, filter components and other related products.

During the period under review, approximately RM86 million was invested in enhancing our operational competencies, where 79% was spent on building new production lines, while the remaining 21% was utilised for the purchase and renovation of a new plant to cater for potential new customers. Table 4 below discloses the percentage increase in investments from 2018.

Investments in New Technology and Initiatives	
Investment	**2019**
Building and facilities	-46%
Machines	+33%

Table 4: Percentage Increase in Investments in New Technology and Initiatives

In 2018, we had invested significantly in building and facilities to expand production space as part of our growth plans. Following the expansion, this year, we focused more on enhancing our capabilities by investing further in machines and equipment to increase productivity and automation.

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

We recognise our suppliers as strategic partners with whom we can build long-lasting beneficial relationships with. Having an established Supply Chain Management system with sound procurement practices are crucial in building a healthy corporate ecosystem. In pursuit of a sustainable supply chain, we have developed several initiatives under the purview and monitoring of the Supply Chain Department.

Supplier Ethical and Environmental Code of Conduct

We have developed a Supplier Ethical and Environmental Code of Conduct ("CoC") to ensure the quality of our suppliers taking into consideration their ethical and environmental performance. VS Industry requires suppliers to adhere to internationally acceptable conditions of employment. Our CoC covers areas shown in Diagram 7 below.

Diagram 7: VS Industry's Supplier Ethical and Environmental Code of Conduct

This CoC applies to all suppliers who provide products or services to VS Industry or subsidiaries, as well as all sub-contractors our suppliers may engage in rendering their services to us. To date, all our suppliers have signed and complied to the CoC. Apart from the CoC, VS Industry also requires our supplier comply with Restriction of Hazardous Substances ("RoHS").

Appointment and Management of Suppliers

We set out to procure locally, as and when viable, as part of our ongoing efforts to stimulate the local economy. Nonetheless, as our manufacturing processes require certain niche components, there is still a need to engage with foreign suppliers for the sourcing of specific parts. For the components locally available, priority will be given to local suppliers. To date, we have engaged 2,580 trade and non-trade suppliers, consisting of both local and foreign entities. The breakdown of local and foreign suppliers is displayed in Table 5

Local vs. Foreign Suppliers and Purchases				
Percentage of local and foreign suppliers engaged				
	2019		**2018**	
	Local	**Foreign**	**Local**	**Foreign**
VSI	74%	26%	74%	26%
VSP	50%	50%	55%	45%
VSE	60%	40%	60%	40%
Percentage of local and foreign purchases				
	2019		**2018**	
	Local	**Foreign**	**Local**	**Foreign**
VSI	52%	48%	67%	33%
VSP	50%	50%	59%	41%
VSE	18%	82%	17%	83%

Table 5: Engagement with and purchases from local and foreign suppliers

To ensure VS Industry's compliance to both commercial terms and sustainable supply chain, we conduct supplier requalification evaluations on randomly selected suppliers on an annual basis. This includes a plant qualification and process control audit. For the reporting period, we have increased the number of suppliers evaluated to 68 from 31 suppliers in 2018.

INTEGRATED AND RESILIENT WORKFORCE

At VS Industry, we endeavour to foster an inclusive and conducive work environment where our employees feel engaged and safe. We recognise that a healthy and motivated workforce contributes to productivity and is key to maximising the value of our output and deliveries.

OCCUPATIONAL HEALTH AND SAFETY

Our employees' health and safety are of utmost importance. We understand that a workplace free from occupational safety hazards is essential in upholding the quality of our products and services.

Occupational Health and Safety Policy

At VS Industry, we are always taking steps to maintain a healthy and safe working environment. Through our Occupational Health and Safety ("OHS") Policy, we have defined our expectations and initiatives to mitigate health and safety risks in our operations:

- Seek 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.

We implement our OHS policy at all our work locations through our Safety and Health Committee ("Safety Committee"). They are responsible for reviewing the OHS Policy to ensure compliance with the Occupational Safety and Health Act 1994 and oversees all safety-related matters within the Group. Moreover, the Safety Committee is also tasked to monitor the Group's OHS performance as well as the implementation of new OHS-related procedures.

In 2019, we experienced a decline in our safety performance with the increase in number of work-related incidents to 4, from 3 cases in the previous year. 3 minor cases were reported, resulting from cuts and bruises while handling machines. We also experienced 1 major incident at our operations, where a colleague suffered a wounded and peeled thumb during a machine repair. A major case is defined as a work-related incident which caused a Lost Time Injury ("LTI") of more than 4 days. An LTI, in turn, refers to an injury sustained that leads to loss of productive work in the form of absenteeism or delays.

Following these safety incidences, we conduct thorough investigations and share the learnings across VS Industry as part of the Group's approach to strengthen our OHS measures. We are reminded of the potential risks in our operations and seek to reinforce our OHS commitment to eliminate repeat incidents. Some of our efforts this year include raising awareness on safety measures among employees and proper documentation of safety processes.

Occupational Health and Safety Initiatives

In pursuit of an injury-free workplace, potential hazards are to be reported to respective Head of Departments or the Safety Committee members immediately. Employees are also required to report all injuries, regardless of severity, immediately to the Safety Officer. Investigations will then be conducted alongside the Safety and Health Committee. Upon completion of the investigation, a report will be prepared and submitted to the Department of Occupational Safety and Health ("DOSH"), Department of Labour Office and Social Security Organisation ("SOCSO").

In 2019, we continued our OHS efforts Groupwide as shown in Diagram 8.

Diagram 8: Health, Safety and Security Initiatives

Promotion of Occupational Health and Safety

One of the main responsibilities of the Safety Committee is to ensure that health and safety-related programmes and trainings are well-planned and carried out throughout the Group. Our efforts are centred on raising our workforce's awareness and competency on OHS matters to increase emergency preparedness. The training sessions cover a variety of topics such as fire-fighting and chemical handling, to name a few. In 2019, we have increased the number of our safety-related programmes, as depicted in table 6 below.

No.	OHS Programme / Achievements	Key topics	Training frequency
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
8	Fire Fighting with Bomba	• Emergency Response Team members • Night shift Person-In-Change	Yearly
9	Chemical Handling Management Training	Emergency Response Team members	Yearly
10	Systematic Occupational Health Enhancement Level ("SoHELP") with DOSH Johor	Assessment for VS Industry's plants in relation to safety management for noise, chemical and ergonomics practices	As selected by DOSH
11	Anugerah Kolaborasi Terbaik: Hari Denggi Asean Peringkat Negeri Johor 2019	All VS Industry's Plant and Hostel Management	As selected by Ministry of Health

Table 6: OHS-related training programmes

Through these initiatives, we intend to equip our employees with the proper knowledge and skills to prepare them for any potential occurrences. Each employee is accountable to comply with the occupational health and safety standard operating procedures in accordance to Section 25 of the Occupational Safety and Health Act 1994.

FAIR EMPLOYMENT PRACTICES

At VS Industry, we adopt fair employment practices and comply with labour laws across our operations. We are aware of our fundamental responsibilities to protect and respect the human and labour rights within the Group and in the supply chain. These rights are articulated in the Group's Code of Ethics (Do and Don't) and the Human Resource Manual.

Equal Employment Opportunity

VS Industry is committed to providing equal opportunities for our employees and sees diversity as a strength in building the Group's competitiveness. We believe that our people should be treated on the basis of their work performance and merits, without discriminating them based on religious belief, age, creed, marital status, gender or any disability.

In 2019, the Group has a total workforce of 8,803 employees. This represents a 35% increase from a workforce of 6,506 employees in 2018, as we intensified our hiring activities due to the expansion of the Group's operations and capabilities during the year.

We categorise our employees into three groups - i.e., non-skilled (A&B), semi-skilled (C, D & E), and skilled (EX1 and above). As an EMS player, the majority of our workforce are unskilled workers comprising of mainly assembly plant machine operators and assemblers.

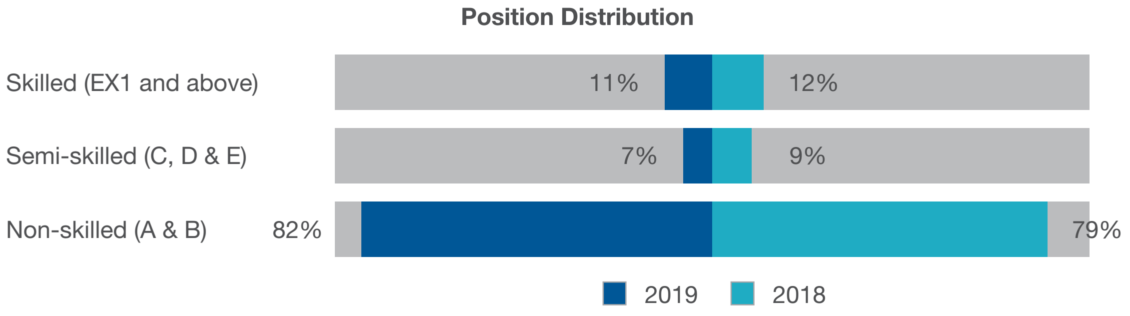


Diagram 9: Distribution of Positions within the Workforce

Workforce Diversity and Inclusion

Our workforce is made up of diverse individuals working together to achieve a common goal of serving our customers. With businesses extending across South Asia and Southeast Asia, our organisation is naturally diverse in terms of age, gender and race, among others.

We are advocators of gender equality and aim to achieve a balance in the workforce. In 2019, 63% of our employees are women, while the remaining 37% are made up of men. We are proud to state that our commitment towards empowering and supporting female employees, such as entitlement to maternity benefits, have resulted in more women joining the Group. Meanwhile, 81% of our employees are aged 18 to 30 years old.

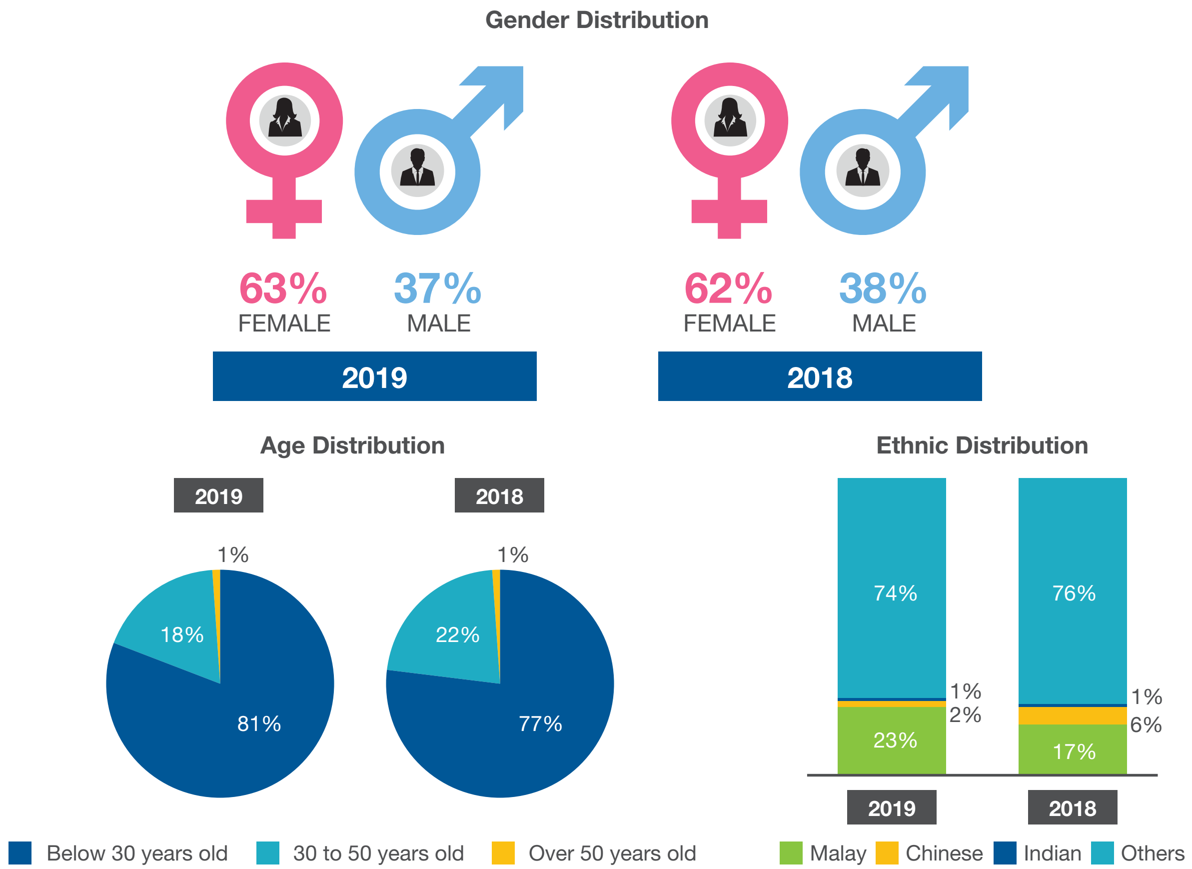


Diagram 10: Workforce Distribution

We have a zero-tolerance policy on unfair and unethical labour practices, including child labour and forced labour in any of our operations, among others. Any act of discrimination and harassment is a non-compliance against our Code of Conduct. Table 7 iterates other fair employment practices exercised by VS Industry.

Other Fair Employment Practices Exercised	
Prohibition of Harassment	We are committed to provide a work environment that is conducive, safe and free of any form of harassment and unlawful discrimination. Any forms of sexual harassment is treated as a serious violation of our rules, regulations and work 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 observe 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" means any person who has not completed his/her 15th year of age; and • "Young Person" means any person who, not being a child, has not completed his/her 18th year of age. We only hire individuals 18 years and above to join the Group. This is in adherence to policies of the International Labour Organisation.

Table 7: Other Fair Employment Practices Exercised

EMPLOYEE WELFARE

We aspire to be an employer of choice that continues to attract, develop and retain talents within the Group. As such, we invest in our people, while offering diverse employment opportunities and supported by competitive packages linked to performance. At all our operating sites, we have implemented an integrated welfare system, facilitated by the Group's Human Resource Department, with the aim of recognising and remunerating talent fairly.

Benefits and Compensation

VS Industry conforms to applicable local statutory requirement and regulations on wages and benefits, such minimum wages order, employees' provident fund, employees' social security, and leaves provision. Beyond this and competitive remuneration, we care for our employees by providing comprehensive benefit schemes, as shown in Diagram 11 below.

✓ Personal accident and medical insurance coverage *Minimum sum: RM75,000*	✓ Communication expenses
✓ Group hospitalisation and surgical scheme	✓ Travel allowance
✓ Dental benefits	✓ Continued education subsidies
✓ Uniform and personal protective equipment	✓ Special leaves
✓ Application of residence permits for current employees	✓ Festive gifts

Diagram 11: VS Industry work benefits

Our people also enjoy annual leaves with rest days during national holidays and weekends. In addition, a special leave of up to 2 working days per year are granted for circumstances such as wedding, death of immediate family members, or natural disasters. Other benefits our employees enjoy are displayed in Diagram 12.

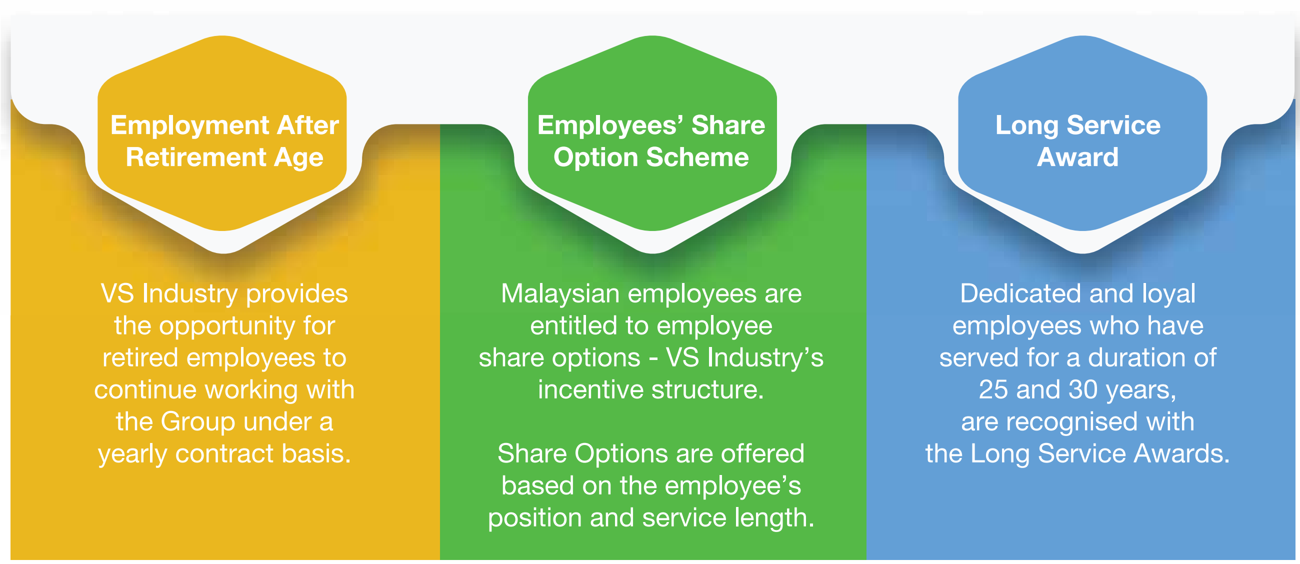


Diagram 12: Additional benefits

Employee Engagement

At VS Industry, we instil a spirit of camaraderie and teamwork within our workforce through regular recreational activities and sponsorship focusing on cultural developments and events. We understand our duty as a responsible corporate citizen and aspire to promote social welfare practices.

In 2019, we continued our social initiative where several representatives from VS Industry paid a visit to families of our migrant workers located in Vietnam, Myanmar, Indonesia, Sri Lanka and Nepal. A total of 21 families benefited from these social visits and received tokens of appreciations.


Social Visits

Apart from that, we also organise employee engagement activities to forge stronger relationships such as VS Group of Company Annual Dinner, group fundraising events as well as awarding birthday gifts, to name a few.

Communication Channel

At VS Industry, we strive to build a culture of transparency and accountability. In support of this, we have provided various platforms allowing our employees to give feedback and suggestions relating to Group's culture and environment.

A Grievance System has been implemented with a 4-step procedure for employees to inform of any inappropriate ethical behaviour.

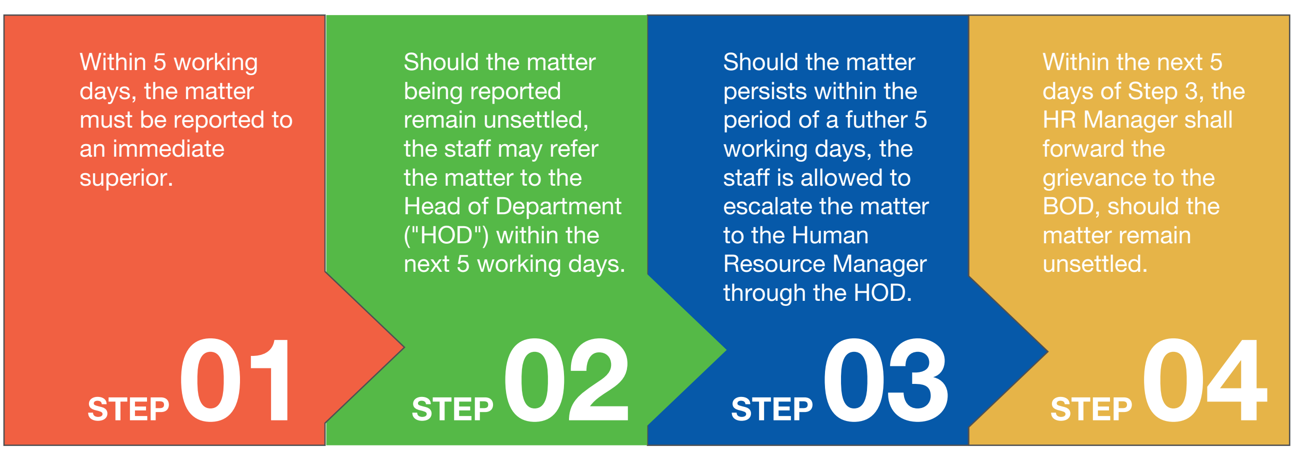


Diagram 13: VS Industry's 4-Step Grievance System

In 2019, a total of 93 workplace grievances were received from our employees. These cases were then investigated and concluded following proper procedure with no cases of retaliation reported.

Employees can also voice out concerns through the "Suara Kami" channel, which is an anonymous complaint helpline for foreign employees to report inappropriate unethical behaviours and workplace grievances to an independent body such as the Responsible Business Alliance ("RBA").

Training and Development

As we continue to expand our footprint with a strategic focus on innovation, our people remain our most vital competitive advantage. Within the Group, there is a clear focus on training and development in order to keep our employees relevant and productive at every step of their careers.

Our goal is to empower our people by promoting continuous learning initiatives while developing a wide range of training programmes. In 2019, we invested approximately RM468,000 and clocked over 1,752 hours in training and developments.

Investment in Training

~ RM468,000

During the year, our employees attended a variety of trainings related to management and technical skills. These opportunities enable our people to raise competencies on their job-related skills, as they prepare to take on new and more responsibilities within the company.

The technical training programmes conducted are centred on improving our employees' aptitude for day-to-day work experiences, such as machine operators. Meanwhile, our management training sessions are to equip our people with the soft skills required for them to assume bigger roles. Additionally, all new employees will have to attend the induction training, targeted to induct and integrate new recruits into our organisation seamlessly.

COMMUNITY & ECO-FRIENDLY CONCIOUSNESS

VS Industry endeavours to operate our manufacturing processes and facilities in an environmentally friendly manner while adhering to all relevant environmental and statutory requirements. Beyond compliance, we continue to strengthen our sustainability efforts to minimise the carbon footprint of our operations. Through the adoption of our sustainability initiatives, we have enhanced our resources efficiency and productivity without compromising the quality of our products, while keeping in check the potential impact to the environment.

To further support our environmental management measures, we have worked towards certifying the Group's businesses against globally-accepted industry standards.

We are pleased to note that as at July 2019, VS Industry's processes have been certified with ISO 14001:2015.

The ISO 14001 Environment Management System standard is an internationally-recognised approach for managing environmental impacts of a company's products, services and processes.

WASTE MANAGEMENT

As an EMS provider, our business operations produce a large amount of waste. Keeping this in mind, we are committed to responsible waste management practices and are subject to periodic assessment by the Department of Environment ("DOE"). The Group's waste management is handled by the Group's Safety Department and governed by our Environmental Policy and Waste Management Procedures. Our Waste Management Procedures is an established set of standardised procedure to achieve optimisation of product packaging and waste management initiatives.

At VS Industry, our waste materials are categorised into scheduled and non-scheduled waste, as per Malaysian regulations. The Group's scheduled waste materials are segregated and collected by a DOE-licensed scheduled waste contractor, in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005 of the Environmental Quality Act (EQA) 1974. Meanwhile, non-scheduled waste is scrapped or collected by selected waste collectors to be recycled or disposed at landfills. Majority of our non-scheduled waste that we generate are in the form of paper, wood, plastic, scrap metal and food waste.

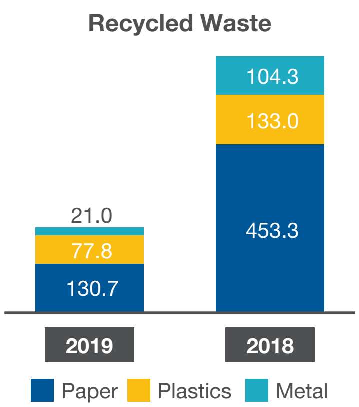


Diagram 14: Total waste recycled

At every stage of our supply chain, we seek to reduce, reuse and recycle our waste whenever possible. In 2019, we saw a drop in recycled volume as we generated a lower amount of non-scheduled waste due to a decrease in the amount of deliveries.

Nonetheless, we continue to strengthen our waste management measures, by monitoring the Group's recycled activities and waste management performance on a monthly basis. Other initiatives are also carried out throughout the Group, including regular project site audits and inspections, development of standardised waste disposal procedures and application of technology to redesign packaging to mitigate environmental impact.

VS Industry had also developed an Environmental Management Programme in an effort to reduce our scheduled waste volume by 20% from the average disposal volume in 2018 and 2017.

NOISE POLLUTION CONTROL

We understand that noise is an inevitable side effect of the Group's activities. Nonetheless, we have taken various measures to minimise the impact on our surrounding and workers. In this regard, we have established a Noise Emission Policy to monitor and control the noise levels arising from our processes. The Safety Department is responsible for all matters relating to the management of noise in ensuring VS Industry stays in compliant with regulations. Some of our internal control efforts to reduce noise pollution include periodic assessments on operating sites, identifying key processes and employing engineering controls, among others. Some of our initiatives are displayed in Diagram 15.

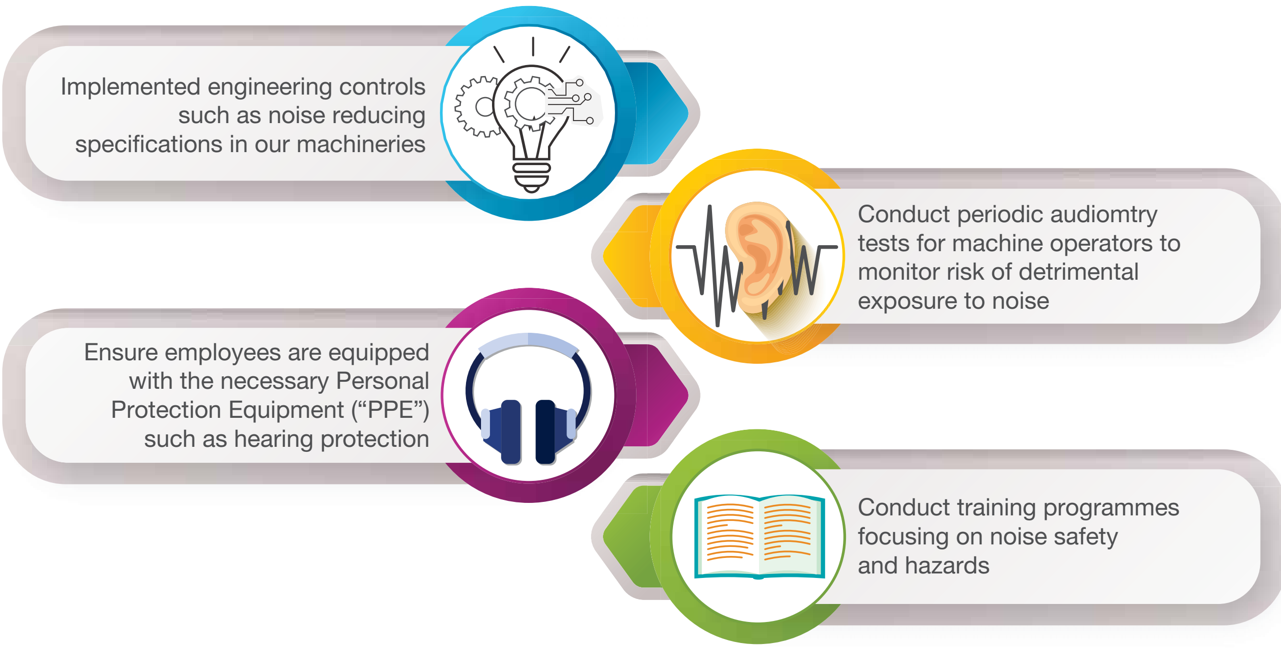


Diagram 15: Measures implemented to reduce impact of noise generated

Periodic assessments on the Group's noise levels are conducted by an Environmental Consultant approved by the Department of Occupational Safety & Health ("DOSH"). In 2019, 6 sites were inspected, where we achieved 100% compliance.

Noise Level Assessments		
	2019	**2018**
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 8: Noise Level Assessments Results

AIR EMISSIONS

VS Industry is subject to the regulatory standards set by the Department of Environment ("DOE") pursuant to the Clean Air Regulation (2014), despite producing an insignificant amount of air emissions. Our Safety Department oversees the Group's observance of DOE regulations within the Group and is responsible for the monitoring of our air emission levels, in addition to setting reduction targets.

Our air emissions are channelled through four chimneys located at VSI and VSE facilities. Regular assessments are made on these chimneys in ensuring compliance to DOE's limits, by collecting standard sample collection of each chimney and conducting analysis on these samples. Table 9 illustrates the results of our latest assessment conducted in 2019.

Parameter	DOE Limit (MG/m3)	Compliance	
		2019	2018
Ammonia	76	✓	✓
Chlorine	32	✓	✓
Hydrogen Chloride	200	✓	✓
Hydrogen Sulphide	7.5	✓	✓
Nitrogen Dioxide	700	✓	✓
Particulate Matter	50	✓	✓
Sulphur Oxides	100	✓	✓
Non-methane volatile organic compounds	150	✓	✓
Mercury	0.05	✓	✓

Table 9: Air emissions assessment results

To minimise the level of our air emissions, we have made the transition to utilising renewable energy in our processes, as and when viable. New equipment was also installed in our facilities as an upgrade to lower our air emissions.

COMMUNITY CONTRIBUTIONS

We aim to positively impact the societies of where we operate in through our participation in corporate social responsibility ("CSR") initiatives. The Group's Sustainability Policy demonstrates our commitment to creating value for the local communities, while pursuing the Group's vision.

In 2019, we spent approximately RM183,000 on social investments. One of our CSR efforts during the year was engaging with Yayasan Masyarakat Lestari Malaysia ("YMLM") by procuring handmade soaps created by people with disability, to be presented to our employees as birthday gifts. YMLM is a charitable organisation that adopts and cares for the elderly and people with disability.

At VS Industry, we promote healthy and active lifestyles by supporting sporting charity events. During the year, VS Industry become a Gold Sponsor for the "WERUN 2019 5km #BagtoSchool" running event held at Johor Bahru on 20 July 2019. The goal was to raise funds for under-privileged primary school students to buy school bags and shoes. The event was jointly organised by the Malaysian International Chamber of Commerce and Industry ("MICCI"), Regency Specialist Hospital and Prudential BSN Takaful.

We believe in the investment of our future generations through education. To support this, VS Industry became a core sponsor for the Malaysian Plastics Manufacturers Association ("MPMA") Education Awards Fund 2019. Furthermore, we also made donations to a primary school in the vicinity of our operations, for the purpose of building a "Reading Corner" facility at the school.

We promote an inclusive workplace embracing the diversity of backgrounds of our workforce. Through Johor Area Rehabilitation Organisation ("JARO")'s Annual OKU Adoption Program, we have adopted several persons with disability in employment for a specified time period. The adoptees have different specialisations and are given various responsibilities across our operations such as sewing, basketry and book binding, to name a few.

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 as promulgated by the Malaysian Code on Corporate Governance 2017 ("the MCCG") 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 MCCG for the financial year ended 31 July 2019 ("FY2019") 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 MCCG. 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 2019, 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 and Risk Management Committee ("ARMC") (formerly named as Audit Committee) , Nomination Committee ("NC") and Remuneration Committee ("RC") to ensure appropriate checks and balances in discharging its oversight function. These Committees comprise of all 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 Secretaries, 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 Secretaries 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 2019, 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 MCCG 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 ARMC). 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.

Part II Board Composition

4 Board objectivity

4.1 Board Composition

The Board presently comprised of eight (8) 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)
Independent Non-Executive Director	Diong Tai Pew Tan Pui Suang Dato' Chang Lik Sean

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

The appointment of two Alternate Directors in the year 2018, namely, Beh Chern Wei and Gan Pee Yong were part of the executive Board members' succession plan for a new generation of leaders of the Group.

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

Part II Board Composition (Cont'd)

4 Board objectivity (Cont'd)

4.1 Board Composition (Cont'd)

The appointment of Tan Pui Suang and Dato' Chang Lik Sean to the Board as INEDs with effect from 15 March 2019 and 1 April 2019 respectively, following the resignation of the long serving INEDs, namely Pan Swee Keat on 15 March 2019 and Tang Sim Cheow on 31 October 2019, seeks to maintain and strenghten independent voice on the Board. The Board now comprised of three (3) 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. In the event of any vacancy in the Board, resulting in non-compliance with the aforesaid, the Company must fill the vacancy within three (3) months.

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 new INEDs, 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 of all 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.

4.2 Tenure and Policy on 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.

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.

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 three (3) INEDs on the Board presently, namely Diong Tai Pew, Tan Pui Suang and Dato' Chang Lik Sean. As at to-date, none of the INEDs have served a consecutive term of nine (9) years.

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

Part II Board Composition (Cont'd)

4 Board objectivity (Cont'd)

4.2 Tenure and Policy on Tenure of Independent Directors (Cont'd)

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.

4.3 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.

4.4 Gender Diversity

Whilst acknowledging the recommendation of the MCCG 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 and INED, Tan Pui Suang, 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

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

There were two (2) new appointment of INEDs to the Board during FY2019 following the cessation and resignation of 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.

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

Part II Board Composition (Cont'd)

4 Board objectivity (Cont'd)

4.6 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 two (2) members, all of whom are INEDs. The present composition of the NC is as follows:

Name	Position
Dato' Chang Lik Sean	*Chairman*
Diong Tai Pew	*Member*

Note:
i. Diong Tai Pew was appointed as member of NC on 15 March 2019.
ii. Dato' Chang Lik Sean was appointed as member of NC on 1 April 2019 and re-designated as Chairman of NC on 31 October 2019.

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 and recommended to the Board for the continuation of service.
(d) Reviewed the term of office and performance of the ARMC.
(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 Committee 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.

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)

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.

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 Constitution 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 FY2019, 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.

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)

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	ARMC	NC	RC
Datuk Beh Kim Ling	3/4	-	-	-
Datuk Gan Sem Yam@	4/4	-	-	1/1
Datin Gan Chu Cheng	4/4	-	-	-
Dato' Gan Tiong Sia	4/4	-	-	-
Ng Yong Kang	4/4	-	-	-
Tan Sri Mohd Nadzmi Bin Mohd Salleh* (Ceased on 4 January 2019)	1/2	1/2	-	-
Pan Swee Keat* (Resigned on 15 March 2019)	2/2	2/2	-	1/1
Tang Sim Cheow* (Resigned on 31 October 2019)	4/4	4/4	1/1	2/2
Diong Tai Pew	4/4	2/2	1/1	1/1
Tan Pui Suang# (Appointed on 15 March 2019)	2/2	2/2	-	-
Dato' Chang Lik Sean# (Appointed on 1 April 2019)	1/1	1/1	1/1	1/1

Note: @ Resigned as member of NC and RC on 1 April 2019.
** Attendance is counted up to date of resignation from the Board.*
 # Attendance is counted from the date of appointment to the Board.

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.

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

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 MCCG.

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.

The training attended by existing Directors for FY2019 encompassed various topics as outlined below:

Directors	Training/Conferences/Seminars
Datuk Beh Kim Ling	• Internal briefing on Corporate Liability Provision and Whistleblower Protection Act 2010
Datuk Gan Sem Yam	• Internal briefing on Corporate Liability Provision and Whistleblower Protection Act 2010
Datin Gan Chu Cheng	• Internal briefing on Corporate Liability Provision and Whistleblower Protection Act 2010
Dato' Gan Tiong Sia	• Internal briefing on Corporate Liability Provision and Whistleblower Protection Act 2010
Ng Yong Kang	• Internal briefing on Corporate Liability Provision and Whistleblower Protection Act 2010
Diong Tai Pew	• MIA Public Practice Programme 2018 • Internal briefing on Corporate Liability Provision and Whistleblower Protection Act 2010
Tan Pui Suang	• Internal briefing on Corporate Liability Provision and Whistleblower Protection Act 2010
Dato' Chang Lik Sean	• Internal briefing on Corporate Liability Provision and Whistleblower Protection Act 2010
Chong Chin Siong	• KPMG Tax and Business Summit 2018 • Internal briefing on Corporate Liability Provision and Whistleblower Protection Act 2010
Beh Chern Wei	• Internal briefing on Corporate Liability Provision and Whistleblower Protection Act 2010
Gan Pee Yong	• Process Transformation for Smart Manufacturing • Internal briefing on Corporate Liability Provision and Whistleblower Protection Act 2010

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 comprises of two (2) members, all of whom are INEDs. The present composition of the RC is as follows:

Name	Position
Diong Tai Pew	*Chairman*
Dato' Chang Lik Sean	*Member*

Note:
i. Diong Tai Pew was appointed as Chairman of RC on 15 March 2019.
ii. Dato' Chang Lik Sean was appointed as member of RC on 1 April 2019.

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.

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 FY2019 is as disclosed in the CG Report.

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

Part III Remuneration (Cont'd)

7 Remuneration of Directors and Senior management (Cont'd)

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 and Risk Management Committee ("ARMC")(formerly named as Audit Committee)

The Audit Committee was renamed as Audit and Risk Management Committee with effect from 1 July 2019.

8 Effective and Independent ARMC

8.1 Chairman of the ARMC

The Chairman of the ARMC is an INED. Details on the composition and other pertinent facts of the ARMC are outlined under the ARMC Report in this Annual Report.

The TOR of the ARMC is accessible for viewing at 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 ARMC.

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 ARMC is a former key audit partner.

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 ARMC 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 ARMC also met once (1) with the external auditors without the presence of the executive Board members and management during the financial year under review, to allow the ARMC and the external auditors to exchange independent views on crucial areas which require the ARMC's attention.

The ARMC 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.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Part I Audit and Risk Management Committee ("ARMC")(formerly named as Audit Committee) (Cont'd)

8 Effective and Independent ARMC (Cont'd)

8.3 Policy and procedures to assess the suitability, objectivity and independence of the external auditor (Cont'd)

The ARMC 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 ARMC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with professional and regulatory requirements.

The ARMC 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 ARMC 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 ARMC, 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 ARMC

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

8.5 Diversity in skills of the ARMC

The ARMC 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 ARMC the ability to effectively discharge their roles and responsibilities.

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 MCCG, 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 and Risk Management Committee regularly.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

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

9 Effective risk management and internal control framework (Cont'd)

9.3 Risk Management Committee

During the financial year ended 31 July 2019, the Risk Management Committee ("RMC") which was formerly led by the Managing Director had subsequently being revamped and incorporated into the Audit Committee with effect from 1 July 2019. Consequently, the Audit Committee was renamed as ARMC which presently, comprised of all INEDs. The RMC by far, 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.

Going forward, the risk management function will continue to be co-ordinated by the Internal Auditor ("IA") in conjunction with the Risk Management Unit which comprises of members who are nominated employees from each function or business units. All risks identified, are dealt with and contained at the respective business unit level on a timely basis; are compiled by the IA Department and communicated upwards to the ARMC and the Board at least once in a financial year and whenever necessary as the need arises.

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 ARMC 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 ARMC 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.

The ARMC 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 ARMC 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.

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 and Risk Management 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.

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)

12.1 Notice for Annual General Meeting (Cont'd)

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 36th AGM held in 2019 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 2020 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.

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 36th AGM held on 4 January 2019.

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 15 November 2019.

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 34 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 2019 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 2019 for services rendered by the Company's external auditors are as follows:-

Fee incurred	Audit Fees (RM'000)	Non-Audit Fees (RM'000)
Company	205	8
Group	390	22

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

(iv) Share Buy-back

Details of share repurchased during the financial year ended 31 July 2019 are as follows:

Month	No. of shares repurchased	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration (RM)
December 2018	4,513,800	0.645	0.735	0.706	3,186,913

At the end of the financial year, a total of 10,430,480 of the repurchased shares are being held as treasury shares and carried at cost. There is no resale of treasury shares or cancellation of shares during the financial year.

(v) 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	(27,169)	(122,369)	(149,538)
Total options outstanding	3,563	35,208	38,771

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.

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

At the Annual General Meeting held on 4 January 2019, 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 2018.

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

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 2019 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	9,250
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	6,374
VSI Group and Beeantah Pte Ltd	Datuk Gan Sem Yam	Purchases/sales of small metal parts, resins, etc	8,337

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

MEMBERSHIP

The Audit Committee was established on 13 March 1998 and has been renamed as Audit and Risk Management Committee ("Committee") with effect from 1 July 2019. The Committee comprises of the following members:

Chairman	- Diong Tai Pew	Independent Non-Executive Director *Appointed on 15 March 2019*
	- Tang Sim Cheow	Redesignated as Non-Independent Non-Executive Director on 4 January 2019 *Redesignated as member on 15 March 2019*
Members	- Tan Pui Suang	Independent Non-Executive Director *Appointed on 15 March 2019*
	- Dato' Chang Lik Sean	Independent Non-Executive Director *Appointed on 1 April 2019*
	- Tang Sim Cheow	Redesignated as Non-Independent Non-Executive Director on 4 January 2019
	- Pan Swee Keat	Redesignated as Non-Independent Non-Executive Director on 4 January 2019 *Resigned on 15 March 2019*
	- Tan Sri Mohd Nadzmi bin Mohd Salleh	Ceased as Senior Independent Non-Executive Director on 4 January 2019 *Ceased on 4 January 2019*

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 Committee members have met with the external auditors once 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
Diong Tai Pew	2 of 2 meetings
Tan Pui Suang	2 of 2 meetings
Dato' Chang Lik Sean	1 of 1 meeting
Tang Sim Cheow	4 of 4 meetings
Pan Swee Keat	2 of 2 meetings
Tan Sri Mohd Nadzmi bin Mohd Salleh	1 of 2 meetings

TERMS OF REFERENCE

The terms of reference of the 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 and Company prior to recommending the same for approval by the Board;
- In the review of the quarterly financial results and annual audited financial statements, the Committee discussed with the Management and the external auditors, amongst others, the accounting policies and standards that were applied and their exercise of judgment 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. The impact of the adoption of these new standards and amendments on the Group's reported financial position, financial performance and cash flows are disclosed in the quarterly consolidated financial statements.

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 internal 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 Committee then considered those recommendations including the Management's responses thereon, before proposing that those control weaknesses be rectified and recommendations for improvements be implemented.

3. **External Audit**

- Reviewed and endorsed 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 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 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 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 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 RM1.02 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 Department 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.

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.

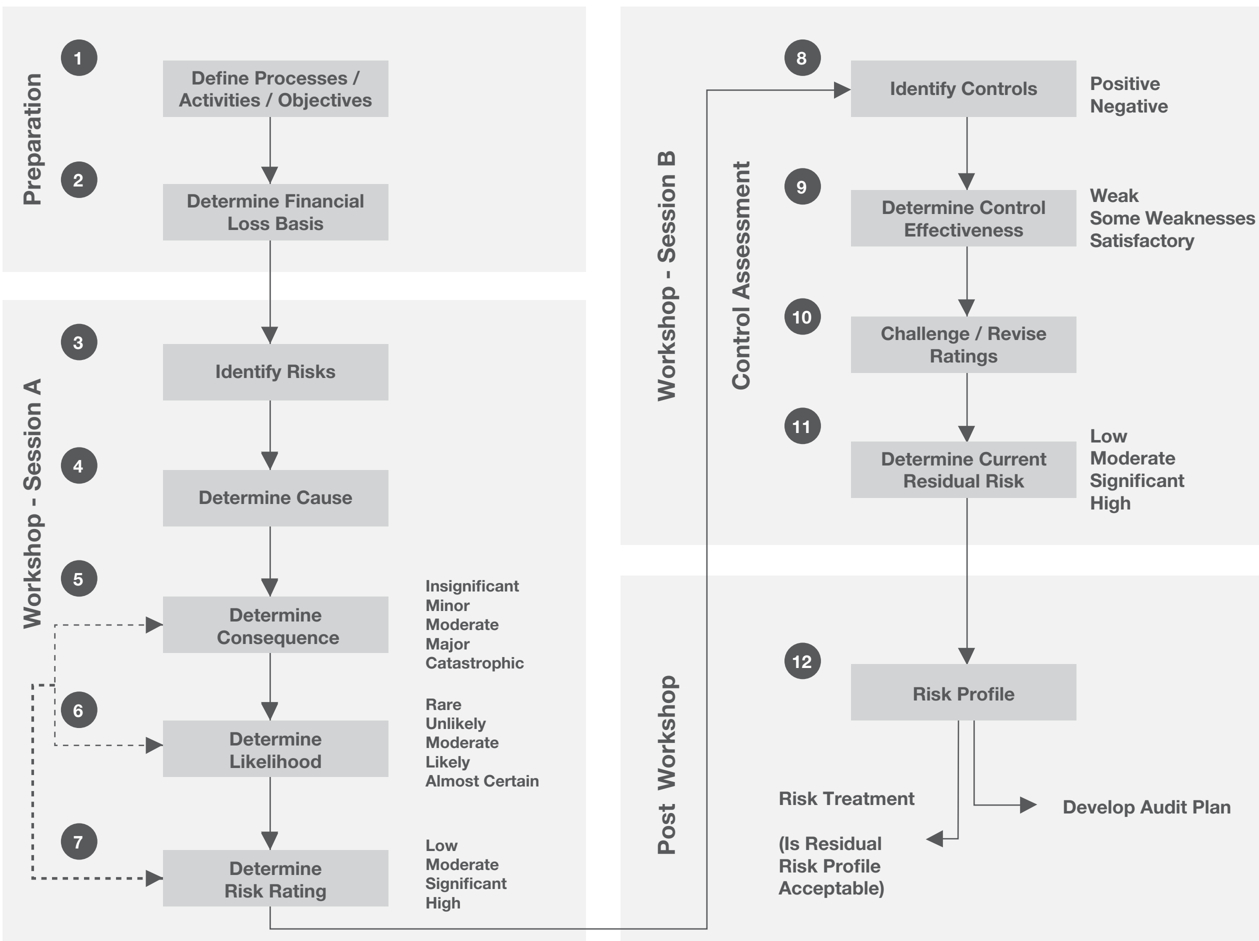
   This statement on Risk Management and Internal Control does not deal with associated companies as the Group does not have management control over their operations.

   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.

KEY INTERNAL CONTROL PROCESSES (CONT'D)

3. Risk Management (Cont'd)

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



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.

KEY INTERNAL CONTROL PROCESSES (CONT'D)

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.

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 minimise the related financial impacts.

ASSURANCE FROM MANAGEMENT

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and up to date of approval of this statement for inclusion in the Annual Report, and is of the view that the risk management and internal control system is satisfactory and there were no material losses incurred during the year under review as a result of internal control 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 2019.

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	165,394	84,759
Non-controlling interests	(45,922)	--
	119,472	84,759

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 2018 as reported in the Directors' Report of that year:

- 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; and

- a final dividend of 0.6 sen per ordinary share totalling RM10,825,992 declared on 29 November 2018 and paid on 31 January 2019.

DIVIDENDS (CONT'D)

ii) In respect of the financial year ended 31 July 2019:

- a first dividend of 1.0 sen per ordinary share totalling RM18,054,594 declared on 14 December 2018 and paid on 12 March 2019;
- a second dividend of 1.0 sen per ordinary share totalling RM18,059,224 declared on 26 March 2019 and paid on 30 April 2019;
- a third dividend of 0.8 sen per ordinary share totalling RM14,546,814 declared on 25 June 2019 and paid on 31 July 2019; and
- a fourth dividend of 0.8 sen per ordinary share totalling RM14,748,879 declared on 26 September 2019 and paid on 31 October 2019.

The Directors recommended a final dividend of 0.8 sen per ordinary share totalling RM14,778,327 in respect of the year ended 31 July 2019 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 2020.

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)
Mr. Ng Yong Kang	Mr. Gan Pee Yong
Mr. Diong Tai Pew	
Ms. Tan Pui Suang (appointed on 15 March 2019)	
Dato' Chang Lik Sean (appointed on 1 April 2019)	
Tan Sri Mohd Nadzmi bin Mohd Salleh (ceased on 4 January 2019)	
Mr. Pan Swee Keat (resigned on 15 March 2019)	
Mr. Tang Sim Cheow (resigned on 31 October 2019)	

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 2018/ date of appointment**	**Bought/ ESOS Exercised/ Warrants conversion**	**Sold**	**At 31 July 2019**
Company					
Ordinary shares					
Datuk Beh Kim Ling	Direct	137,701	6,512	--	144,213
	Deemed	187,641	5,617	--	193,258
Datin Gan Chu Cheng	Direct	124,270	4,962	--	129,232
	Deemed	201,072	7,167	--	208,239
Datuk Gan Sem Yam	Direct	88,366	3,062	(6,250)	85,178
	Deemed	16,583	6,500	--	23,083
Dato' Gan Tiong Sia	Direct	30,311	2,962	--	33,273
Mr. Ng Yong Kang	Direct	2,663	1,062	(3,030)	695
	Deemed	25	150	(150)	25
Mr. Tang Sim Cheow	Direct	125	--	(125)	--
Dato' Chang Lik Sean	Deemed	500	1,000	(1,400)	100
Mr. Diong Tai Pew	Direct	--	100	--	100
Mr. Chong Chin Siong	Direct	1,000	4,662	(2,862)	2,800
	Deemed	300	--	--	300
Mr. Beh Chern Wei (Ma Chengwei)	Direct	20,750	250	--	21,000
Mr. Gan Pee Yong	Direct	10,333	250	--	10,583

		Number of Warrants ('000)			
Name of Directors	**Interest**	**At 1 August 2018**	**Sold/ Converted**	**Forfeited**	**At 31 July 2019**
Datuk Beh Kim Ling	Direct	2,438	--	(2,438)	--
	Deemed	2,625	(2,050)	(575)	--
Datin Gan Chu Cheng	Direct	2,375	(1,800)	(575)	--
	Deemed	2,688	(250)	(2,438)	--
Mr. Chong Chin Siong	Direct	1,500	(1,500)	--	--
Mr. Beh Chern Wei (Ma Chengwei)	Direct	250	(250)	--	--

DIRECTORS' INTERESTS IN SHARES (CONT'D)

Name of Directors	Interest	Number of ordinary shares ('000) At 1 August 2018	Bought	Sold	At 31 July 2019
Subsidiaries					
- V.S. Ashin Technology Sdn. Bhd.					
Ordinary shares					
Datuk Beh Kim Ling	Deemed	672	--	--	672
Datin Gan Chu Cheng	Direct	672	--	--	672
Datuk Gan Sem Yam	Direct	747	--	--	747
- VS Marketing & Engineering Pte. Ltd.					
Ordinary shares					
Datuk Gan Sem Yam	Deemed	816	--	--	816
Dato' Gan Tiong Sia	Deemed	120	--	--	120
- Serumi International Private Limited					
Ordinary shares					
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	148,453	--	--	148,453
	Deemed	71,928	--	--	71,928
Datin Gan Chu Cheng	Direct	30,336	--	--	30,336
	Deemed	190,045	--	--	190,045
Datuk Gan Sem Yam	Direct	44,671	--	--	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	1,766	--	--	1,766
Mr. Beh Chern Wei (Ma Chengwei)	Direct	27,000	--	--	27,000

DIRECTORS' INTERESTS IN SHARES (CONT'D)

Name of Directors	Interest	Number of shares ('000) At 1 August 2018	Bought	Sold	At 31 July 2019
Subsidiaries					
- V.S. Corporation (Hong Kong) Co., Limited					
Non-voting deferred share of HKD1.00 each					
Datuk Beh Kim Ling	Direct	3,750	--	--	3,750
	Deemed	3,750	--	--	3,750
Datin Gan Chu Cheng	Direct	3,750	--	--	3,750
	Deemed	3,750	--	--	3,750
Datuk Gan Sem Yam	Direct	3,750	--	--	3,750
Dato' Gan Tiong Sia	Direct	3,750	--	--	3,750

Name of Directors	Interest	Number of ordinary shares At 1 August 2018	Bought	Sold	At 31 July 2019
- 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 2018	Granted	Lapsed	At 31 July 2019
- V.S. International Group Limited					
Datuk Beh Kim Ling	HKD0.31	15,508	--	(15,508)	--
Datin Gan Chu Cheng	HKD0.31	15,508	--	(15,508)	--
Datuk Gan Sem Yam	HKD0.31	15,508	--	(15,508)	--
Dato' Gan Tiong Sia	HKD0.31	7,774	--	(7,774)	--
Mr. Tang Sim Cheow	HKD0.31	1,563	--	(1,563)	--
Mr. Diong Tai Pew	HKD0.31	1,563	--	(1,563)	--
Mr. Beh Chern Wei (Ma Chengwei)	HKD0.31	15,508	--	(15,508)	--

DIRECTORS' INTERESTS IN SHARES (CONT'D)

Name of Directors	Option Price	Number of options ('000) over ordinary shares: At 1 August 2018	Exercised	At 31 July 2019
Company				
Datuk Beh Kim Ling	RM0.56	3,188	--	3,188
Datin Gan Chu Cheng	RM0.56	1,063	(1,063)	--
Datuk Gan Sem Yam	RM0.56	1,063	(1,063)	--
Dato' Gan Tiong Sia	RM0.56	1,063	(1,063)	--
Mr. Ng Yong Kang	RM0.56	1,063	(1,063)	--
Mr. Tang Sim Cheow	RM0.56	125	--	125
Mr. Chong Chin Siong	RM0.56	3,963	(3,963)	--
Mr. Beh Chern Wei (Ma Chengwei)	RM0.56	250	--	250
Mr. Gan Pee Yong	RM0.56	250	(250)	--

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 34 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) 23,406,825 new ordinary shares for cash totalling RM13,107,822 arising from the exercise of the employees' share options at an exercise price of RM0.56 per ordinary share;

b) 65,450 new ordinary shares for cash totalling RM74,613 arising from the exercise of the employees' share options at an exercise price of RM1.14 per ordinary share;

c) 20,500,000 new ordinary shares totalling RM11,480,000 at the exercise price of RM0.56 per ordinary share under the shares held under trust as disclosed in Note 16 to the financial statements; and

d) 90,202,853 new ordinary shares for cash totalling RM119,067,766 arising from the exercise of warrants at RM1.32 per ordinary share;

At the Annual General Meeting held on 4 January 2019, the shareholders of the Company renewed their approval for the Company to repurchase its own shares. During the financial year, the Company repurchased from the open market a total of 4,513,800 of its own shares with an average repurchase price of RM0.71. The repurchase transactions were financed by internally generated funds and the repurchased shares are being held as treasury shares and carried at cost.

There were no other changes in the 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 during the exercise period, subject to the adjustments in accordance with the Deed Poll constituting the Warrants;

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

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

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

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

90,202,853 (2018: 128,924,310) Warrants were exercised during the financial year up to 4 January 2019, the expiry date of the Warrants ("expiry date"). As at the expiry date, 116,608,592 Warrants which remained unexercised ("Unexercised Warrants") became null, void and ceased to be exercisable. The Unexercised Warrants were removed from the official list of Bursa Securities with effect from 7 January 2019.

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.

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.

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

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 2018	Exercised	Forfeited	At 31 July 2019
12 May 2015	RM0.56	73,703	(41,555)	(436)	31,712
28 February 2017	RM1.14	9,521	(1,919)	(1,418)	6,184
15 September 2017	RM1.78	875	--	--	875
		84,099	(43,474)	(1,854)	38,771

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

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of premium paid for insurance effected for Directors and certain officers of the Group and of the Company was RM40,000 for total sum insured of RM20 million.

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

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 impairment losses provided for property, plant and equipment as disclosed in Note 3 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 July 2019 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 23 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

15 November 2019

STATEMENTS OF FINANCIAL POSITION
AS AT 31 JULY 2019

	Note	Group			Company		
		31.7.2019 RM'000	31.7.2018 RM'000 Restated	1.8.2017 RM'000 Restated	31.7.2019 RM'000	31.7.2018 RM'000 Restated	1.8.2017 RM'000 Restated
Assets							
Property, plant and equipment	3	888,990	873,170	841,043	262,997	197,379	129,917
Prepaid lease payments	4	76,137	77,575	98,359	--	--	--
Investments properties	5	1,200	4,900	4,900	--	--	--
Intangible assets	6	--	--	--	--	--	--
Investments in subsidiaries	7	--	--	--	407,697	392,779	310,929
Investments in associates	8	64,619	68,800	76,885	60,000	60,000	60,000
Other investments	9	93,539	148,304	40,268	4,727	4,727	4,727
Prepayments	10	4,687	10,923	7,263	--	--	--
Deferred tax assets	11	3,575	3,066	3,883	--	--	--
Total non-current assets		1,132,747	1,186,738	1,072,601	735,421	654,885	505,573
Inventories	12	371,543	394,974	362,970	137,774	112,539	63,986
Contract assets	13	158,904	170,762	133,154	41,580	48,879	25,971
Trade and other receivables	10	994,784	934,674	999,985	423,294	365,291	197,611
Current tax assets		165	1,396	1,302	--	1,396	1,175
Dividends receivable		--	--	--	30,000	30,000	40,000
Cash and cash equivalents	14	379,457	415,636	344,919	41,028	45,678	23,508
		1,904,853	1,917,442	1,842,330	673,676	603,783	352,251
Assets classified as held for sale	15	-	18,860	--	--	--	--
Total current assets		1,904,853	1,936,302	1,842,330	673,676	603,783	352,251
Total assets		3,037,600	3,123,040	2,914,931	1,409,097	1,258,668	857,824
Equity							
Share capital	16	753,077	603,303	369,109	753,077	603,303	369,109
Reserves	16	853,389	834,287	701,801	83,072	78,139	81,005
Equity attributable to owners of the Company		1,606,466	1,437,590	1,070,910	836,149	681,442	450,114
Non-controlling interests	7	177,995	223,115	223,646	--	--	--
Total equity		1,784,461	1,660,705	1,294,556	836,149	681,442	450,114
Liabilities							
Loans and borrowings	17	66,904	93,758	119,049	35,760	49,946	55,404
Loan from a Director	18	10,347	--	--	--	--	--
Due to Directors	18	--	--	4,322	--	--	--
Deferred tax liabilities	11	74,739	73,161	76,384	16,665	13,643	9,377
Total non-current liabilities		151,990	166,919	199,755	52,425	63,589	64,781
Loans and borrowings	17	361,537	551,690	587,832	197,485	203,004	139,110
Trade and other payables	19	707,944	721,992	817,947	321,882	310,633	203,819
Contract liabilities	13	10,276	8,065	1,134	--	--	--
Due to Directors	18	4,322	4,322	--	--	--	--
Current tax liabilities		17,070	9,347	13,707	1,156	--	--
Total current liabilities		1,101,149	1,295,416	1,420,620	520,523	513,637	342,929
Total liabilities		1,253,139	1,462,335	1,620,375	572,948	577,226	407,710
Total equity and liabilities		3,037,600	3,123,040	2,914,931	1,409,097	1,258,668	857,824

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 2019

	Note	Group		Company	
		2019 RM'000	**2018 RM'000 Restated**	**2019 RM'000**	**2018 RM'000 Restated**
Revenue	20	3,978,350	4,100,736	1,839,884	1,555,980
Cost of sales		(3,607,924)	(3,715,757)	(1,725,721)	(1,479,322)
Gross profit		370,426	384,979	114,163	76,658
Other income		23,617	37,907	47,202	63,357
Distribution expenses		(24,693)	(32,838)	(4,373)	(4,881)
Administrative expenses		(132,942)	(151,376)	(35,840)	(40,983)
Other expenses		(33,339)	(32,522)	(11,094)	(1,607)
Results from operating activities		203,069	206,150	110,058	92,544
Finance income		8,012	6,467	1,636	1,209
Finance costs	21	(27,044)	(29,766)	(9,327)	(11,009)
Net finance costs		(19,032)	(23,299)	(7,691)	(9,800)
Operating profit		184,037	182,851	102,367	82,744
Share of loss of equity accounted associates, net of tax		(2,181)	(6,635)	--	--
Profit before tax		181,856	176,216	102,367	82,744
Tax expense	22	(62,384)	(38,714)	(17,608)	(10,085)
Profit for the year	23	119,472	137,502	84,759	72,659
Other comprehensive (expense)/income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Net change in fair value of equity instrument designated at fair value through other comprehensive income		(80,472)	85,752	--	--
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		14,252	(46,553)	--	--
Remeasurement of actuarial gain		210	286	--	--
		14,462	(46,267)	--	--
Other comprehensive (expenses)/income for the year		(66,010)	39,485	--	--
Total comprehensive income for the year		53,462	176,987	84,759	72,659

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 2019
(cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000 Restated
Profit attributable to:					
Owners of the Company		165,394	151,074	84,759	72,659
Non-controlling interests		(45,922)	(13,572)	--	--
Profit for the year		119,472	137,502	84,759	72,659
Total comprehensive income attributable to:					
Owners of the Company		98,582	203,988	84,759	72,659
Non-controlling interests		(45,120)	(27,001)	--	--
Total comprehensive income for the year		53,462	176,987	84,759	72,659
Basic earnings per ordinary share (sen)	24	9.28	9.29		
Diluted earnings per ordinary share (sen)	24	9.19	8.58		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2019

	Attributable to owners of the Company											
	Non-distributable								Distributable			
	Share capital 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, as previously reported	369,109	(1,607)	79,669	79,158	13,728	--	14,742	(1,792)	504,539	1,057,546	220,410	1,277,956
Adjustment on initial application of MFRS 15, net of tax	--	--	--	137	--	--	--	--	13,227	13,364	3,236	16,600
Adjustment on initial application of MFRS 9, net of tax	--	--	--	--	--	(11,665)	--	--	11,665	--	--	--
At 1 August 2017, restated	369,109	(1,607)	79,669	79,295	13,728	(11,665)	14,742	(1,792)	529,431	1,070,910	223,646	1,294,556
Foreign currency translation differences for foreign operation	--	--	--	(33,124)	--	--	--	--	--	(33,124)	(13,429)	(46,553)
Remeasurement of actuarial gain	--	--	--	--	--	--	--	--	286	286	--	286
Net change in fair value of equity instrument designated at FVOCI	--	--	--	--	--	85,752	--	--	--	85,752	--	85,752
Total other comprehensive (expense)/ income for the year	--	--	--	(33,124)	--	85,752	--	--	286	52,914	(13,429)	39,485
Profit for the year	--	--	--	--	--	--	--	--	151,074	151,074	(13,572)	137,502
Total comprehensive (expense)/income for the year	--	--	--	(33,124)	--	85,752	--	--	151,360	203,988	(27,001)	176,987

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	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
Contributions by and distributions to owners of the Company													
Equity settled share based transaction	16												
- 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	25	--	--	--	--	--	--	--	--	(73,407)	(73,407)	--	(73,407)
		234,194	228	--	--	--	--	(1,154)	--	(73,129)	160,139	1,015	161,154
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, restated		603,303	(1,379)	63,202	46,171	9,580	74,087	13,588	(1,792)	630,830	1,437,590	223,115	1,660,705

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2019
(cont'd)

	Note	Share capital 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
		Attributable to owners of the Company											
		Non-distributable								Distributable			
Group													
At 1 August 2018		603,303	(1,379)	63,202	46,171	9,580	74,087	13,588	(1,792)	630,830	1,437,590	223,115	1,660,705
Foreign currency translation differences for foreign operation		--	--	--	12,329	--	--	--	--	--	12,329	1,923	14,252
Remeasurement of actuarial gain		--	--	--	--	--	--	--	--	210	210	--	210
Net change in fair value of equity instrument designated at FVOCI		--	--	--	--	--	(79,351)	--	--	--	(79,351)	(1,121)	(80,472)
Total other comprehensive income/ (expense) for the year		--	--	--	12,329	--	(79,351)	--	--	210	(66,812)	802	(66,010)
Profit for the year		--	--	--	--	--	--	--	--	165,394	165,394	(45,922)	119,472
Total comprehensive income/ (expense) for the year		--	--	--	12,329	--	(79,351)	--	--	165,604	98,582	(45,120)	53,462
Contributions by and distributions to owners of the Company													
Own shares acquired		--	--	--	--	--	--	--	(3,187)	--	(3,187)	--	(3,187)
Equity settled share based transaction	16												
- Share option granted		--	--	--	--	--	--	1,923	--	--	1,923	--	1,923
- Share option exercised		6,044	--	--	--	--	--	(6,044)	--	--	--	--	--
- Share option lapsed		--	--	--	--	--	--	(4,171)	--	4,171	--	--	--
- Shares issued pursuant to ESOS		13,182	11,480	--	--	--	--	--	--	--	24,662	--	24,662
- Shares issued pursuant to ESOS Trust Funding ("ETF")		11,480	(11,760)	--	--	--	--	--	--	--	(280)	--	(280)
Conversion of Warrants		119,068	--	--	--	--	--	--	--	--	119,068	--	119,068
Dividends to owners of the Company	25	--	--	--	--	--	--	--	--	(71,892)	(71,892)	--	(71,892)
		149,774	(280)	--	--	--	--	(8,292)	(3,187)	(67,721)	70,294	--	70,294

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2019
(cont'd)

	Attributable to owners of the Company											
	Non-distributable								Distributable			
	Share capital 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	--	--	(4,524)	--	(182)	--	--	--	4,706	--	--	--
Total transactions with owners of the Group	149,774	(280)	(4,524)	--	(182)	--	(8,292)	(3,187)	(63,015)	70,294	--	70,294
Transferred from retained earnings	--	--	--	--	810	--	--	--	(810)	--	--	--
Realisation of revaluation reserve	--	--	(2,213)	--	--	--	--	--	2,213	--	--	--
At 31 July 2019	753,077	(1,659)	56,465	58,500	10,208	(5,264)	5,296	(4,979)	734,822	1,606,466	177,995	1,784,461

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2019

		Attributable to owners of the Company						
		Non-distributable					Distributable	
	Note	Share capital 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, as previously reported		369,109	(1,607)	28,544	12,297	(1,792)	42,428	448,979
Adjustment on initial application of MFRS 15, net of tax		--	--	--	--	--	1,135	1,135
At 1 August 2017, restated		369,109	(1,607)	28,544	12,297	(1,792)	43,563	450,114
Profit for the year/ **Total comprehensive income for the year**		--	--	--	--	--	72,659	72,659
Contributions by and distributions to owners of the Company								
Equity settled share-based transaction	16							
- 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	25	--	--	--	--	--	(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, restated		603,303	(1,379)	27,939	9,951	(1,792)	43,420	681,442

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2019
(cont'd)

		Attributable to owners of the Company						
		Non-distributable					Distributable	
	Note	Share capital 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 2018		603,303	(1,379)	27,939	9,951	(1,792)	43,420	681,442
Profit for the year/								
Total comprehensive income for the year		--	--	--	--	--	84,759	84,759
Contributions by and distributions to owners of the Company								
Own shares acquired		--	--	--	--	(3,187)	--	(3,187)
Equity settled share-based transaction	16							
- Share option granted		--	--	--	1,577	--	--	1,577
- Share option exercised		6,044	--	--	(6,044)	--	--	--
- Shares issued pursuant to ESOS		13,182	11,480	--	--	--	--	24,662
- Shares issued pursuant to ESOS Trust Funding ("ETF")		11,480	(11,760)	--	--	--	--	(280)
Conversion of Warrants		119,068	--	--	--	--	--	119,068
Dividends to owners of the Company	25	--	--	--	--	--	(71,892)	(71,892)
Total transactions with owners of the Company		149,774	(280)	--	(4,467)	(3,187)	(71,892)	69,948
Realisation of revaluation reserve		--	--	(605)	--	--	605	--
At 31 July 2019		753,077	(1,659)	27,334	5,484	(4,979)	56,892	836,149

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

	Note	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000 Restated
Cash flows from operating activities					
Profit before tax		181,856	176,216	102,367	82,744
Adjustments for:					
Amortisation of prepaid lease payments	4	2,159	2,323	--	--
Depreciation	3	97,024	79,328	20,311	10,703
Dividend income		--	--	(2,000)	(1,200)
Equity settled share-based transactions		1,575	6,885	734	1,947
Finance costs	21	25,566	27,555	9,202	10,429
Property, plant and equipment:					
- Loss/(Gain) on disposal		5,368	757	(548)	(224)
- Written off		45	13	--	--
Write down of obsolete and slow moving inventories		10,777	4,803	901	1,376
Impairment loss/(Reversal) on:					
- Trade receivables		603	(270)	--	--
- Investments in subsidiaries		--	--	11,094	(16,800)
- Property, plant and equipment		22,068	3,000	--	--
Finance income		(8,012)	(6,467)	(1,636)	(1,209)
Share of loss of equity accounted associates		2,181	6,635	--	--
Refund of investment cost from an associate		(7,850)	--	(7,850)	--
Unrealised (gain)/loss on foreign exchange		(2,083)	1,872	(2,122)	1,606
Loss on disposal of a subsidiary	27	3,002	16,936	--	--
Operating profit before changes in working capital		334,279	319,586	130,453	89,372
Change in inventories		12,654	(56,171)	(26,136)	(49,929)
Change in contract assets		11,858	(37,608)	7,299	(22,908)
Change in contract liabilities		2,211	6,931	--	--
Change in trade and other receivables		(57,589)	39,008	(55,045)	(157,185)
Change in trade and other payables		(34,651)	(17,520)	(3,072)	89,493
Cash generated from/(used in) operations		268,762	254,226	53,499	(51,157)
Interest received		8,012	6,467	1,636	1,209
Tax paid		(52,361)	(45,638)	(12,034)	(6,040)
Net cash from/(used in) operating activities		224,413	215,055	43,101	(55,988)

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2019
(cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000 Restated
Cash flows from investing activities					
Acquisition of:					
- property, plant and equipment	26	(117,025)	(206,195)	(68,907)	(60,646)
- prepaid lease payments		--	(305)	--	--
- investments in subsidiaries		--	--	(25,169)	(62,811)
- other investments		(25,707)	(22,284)	--	--
- prepayments		6,236	(3,660)	--	--
Proceed from disposal of:					
- a subsidiary net of cash and cash equivalent disposal	27	15,858	38,316	--	--
- prepaid lease payments		--	677	--	--
- property, plant and equipment		10,725	3,558	820	224
Changes in pledged deposits		946	4,451	--	--
Refund of investment cost from an associate		5,000	--	5,000	--
Dividend received from an associate		2,000	1,200	2,000	1,200
Net cash used in investing activities		(101,967)	(184,242)	(86,256)	(122,033)
Cash flows from financing activities					
Repayment of term loans		(63,867)	(45,212)	(21,920)	(20,361)
Drawdown of term loans		12,410	25,620	12,410	25,620
Repayments of finance lease liabilities		(7,346)	(11,052)	(530)	(10,224)
Net drawdown from short term borrowings		(164,693)	(20,767)	(10,624)	61,102
Interest paid		(25,828)	(28,385)	(9,202)	(10,429)
Acquisition of non-controlling interests		--	20,845	--	--
Loan from a Director		10,347	--	--	--
Proceeds from issuance of shares		143,450	227,890	143,450	227,890
Dividend paid to owners of the Company		(71,892)	(73,407)	(71,892)	(73,407)
Repurchase of treasury shares		(3,187)	--	(3,187)	--
Net cash (used in)/from financing activities		(170,606)	95,532	38,505	200,191
Exchange differences on translation of the financial statements of foreign operations		12,458	(33,124)	--	--
Net (decrease)/increase in cash and cash equivalents		(35,702)	93,221	(4,650)	22,170
Cash and cash equivalents at 1 August		362,849	285,654	45,678	23,508
Effect of exchange rate fluctuation on cash held		2,493	(16,026)	--	--
Cash and cash equivalents at 31 July	14	329,640	362,849	41,028	45,678

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 is 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 9D, Level 9
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 2019 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 2019 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 15 November 2019.

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 ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments 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 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 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*

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 (Cont'd)

- 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*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108*, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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, interpretations and amendments in the respective financial years when the above standards, interpretations and amendments become effective.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

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.

1. BASIS OF PREPARATION (CONT'D)

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 3 - Property, plant and equipment
- Note 7 - Investment in subsidiaries
- 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.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. There is no significant financial impact on the adoption of MFRS 9 except for financial assets that were previously classified as loans and receivables are now classified as amortised cost and financial assets that were previously classified as available for sales are now classified as equity investments measured at fair value through other comprehensive income. The impacts arising from the adoption of MFRS 15 is disclosed in Note 35.

(a) Basis of consolidation

(i) Subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

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

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(v) Associates

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

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

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

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

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the 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 investment includes transaction costs.

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency

(i) Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively.

(i) Recognition and initial 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 asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

The categories of financial assets at initial recognition are as follows:

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(l)(i)) where the effective interest rate is applied to the amortised cost.

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) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(l)(i)) where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(l)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) 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 and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(iii) Regular way purchase or sale of financial assets (Cont'd)

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.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Financial guarantee contracts

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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)

(c) Financial instruments (Cont'd)

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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 the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation

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

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

The 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets (Cont'd)

(ii) Operating lease

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

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

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

(f) Intangible assets

(i) Goodwill

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

(ii) Intangible assets

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

(iii) Amortisation

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

(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 changes 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment properties (Cont'd)

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

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

(ii) Reclassification to/from investment property

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

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

(h) Inventories

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

The cost of inventories is calculated using the first-in first-out method, 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 asset 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Contract asset and contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(k) Cash and cash equivalents

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

(l) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively.

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(i) Financial assets (Cont'd)

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(ii) Other assets (Cont'd)

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) Ordinary shares

Ordinary shares are classified as equity.

(iii) 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, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When 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.

(iv) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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 period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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

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

(o) Provision

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss 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, which in the case of quoted securities is the ex-dividend date.

(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.

(q) Borrowing costs

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) 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.

(s) Earnings per ordinary share

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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.

(u) 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 the 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.

(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 value is 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 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	15	(15,355)	(910)	--	--	--	(16,265)
Disposal of a subsidiary	27	(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/ 1 August 2018		495,112	957,981	96,227	25,534	17,465	1,592,319
Additions		20,352	88,207	8,049	4,123	20,833	141,564
Transfer		--	4,966	--	--	(4,966)	--
Transfer from investment properties	5	3,700	--	--	--	--	3,700
Disposals		(3,092)	(62,857)	(8,291)	(3,266)	--	(77,506)
Written off		--	(2,180)	(287)	--	--	(2,467)
Exchange differences		3,187	6,692	728	146	57	10,810
At 31 July 2019		519,259	992,809	96,426	26,537	33,389	1,668,420
Representing items at:							
Cost		118,723	992,809	96,426	26,537	33,389	1,267,884
Directors' valuation - 2017		400,536	--	--	--	--	400,536
		519,259	992,809	96,426	26,537	33,389	1,668,420

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)							
Accumulated depreciation							
At 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	15	(98)	(910)	--	--	--	(1,008)
Disposal of a subsidiary	27	--	(27,882)	(1,971)	(797)	--	(30,650)
Exchange differences		(589)	(29,629)	(2,806)	(763)	--	(33,787)
At 31 July 2018/ 1 August 2018		16,790	619,090	62,143	17,111	--	715,134
Depreciation charge		15,854	67,717	9,931	3,522	--	97,024
Disposals		(184)	(51,786)	(6,554)	(2,889)	--	(61,413)
Written off		--	(2,152)	(270)	--	--	(2,422)
Exchange differences		96	4,511	480	101	--	5,188
At 31 July 2019		32,556	637,380	65,730	17,845	--	753,511
Accumulated impairment losses							
At 1 August 2017		--	1,084	--	--	--	1,084
Impairment loss		3,000	--	--	--	--	3,000
Exchange differences		--	(69)	--	--	--	(69)
At 31 July 2018/ 1 August 2018		3,000	1,015	--	--	--	4,015
Impairment loss		--	19,422	2,646	--	--	22,068
Exchange differences		--	(143)	(21)	--	--	(164)
At 31 July 2019		3,000	20,294	2,625	--	--	25,919
Carrying amounts							
At 1 August 2017		471,560	308,566	29,050	7,713	24,154	841,043
At 31 July 2018/ 1 August 2018		475,322	337,876	34,084	8,423	17,465	873,170
At 31 July 2019		483,703	335,135	28,071	8,692	33,389	888,990

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 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)
Written off	12,480	(649)	--	--	--	11,831
Net transfer from subsidiaries	6,577	--	--	--	(6,577)	--
At 31 July 2018/1 August 2018	126,066	122,869	17,374	9,100	9,328	284,737
Additions	17,817	52,978	1,501	2,826	10,919	86,041
Disposals	--	(938)	--	(1,722)	--	(2,660)
Written off	--	--	(109)	--	--	(109)
Net transfer from subsidiaries	--	820	5	--	--	825
At 31 July 2019	143,883	175,729	18,771	10,204	20,247	368,834
Representing items at:						
Cost	70,013	175,729	18,771	10,204	20,247	294,964
Directors' valuation - 2017	73,870	--	--	--	--	73,870
	143,883	175,729	18,771	10,204	20,247	368,834
Accumulated depreciation						
At 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 August 2018	1,830	68,935	11,540	5,053	--	87,358
Depreciation charge	4,034	12,892	1,900	1,485	--	20,311
Disposals	--	(884)	--	(1,504)	--	(2,388)
Written off	--	--	(109)	--	--	(109)
Net transfer from subsidiaries	--	667	(2)	--	--	665
At 31 July 2019	5,864	81,610	13,329	5,034	--	105,837
Carrying amounts						
At 1 August 2017	73,870	41,471	5,134	2,865	6,577	129,917
At 31 July 2018/1 August 2018	124,236	53,934	5,834	4,047	9,328	197,379
At 31 July 2019	138,019	94,119	5,442	5,170	20,247	262,997

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

3.1 Carrying amounts of land and buildings

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At valuation				
Land	49,864	62,374	22,570	22,570
Buildings	328,608	333,974	48,450	49,875
At cost				
Land	42,255	22,350	27,040	19,323
Buildings	62,976	56,624	39,959	32,468
	483,703	475,322	138,019	124,236

3.2 Carrying amounts by geographical area

	Group	
	2019 RM'000	2018 RM'000
Malaysia	546,911	477,616
China	281,544	332,979
Others	60,535	62,575
	888,990	873,170

3.3 Fair value information

Land and buildings other than those acquired subsequent to the revaluation 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	63,963	22,570
Buildings	336,573	51,300
	400,536	73,870

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

3.3 Fair value information (Cont'd)

Level 3 fair value

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

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

3.4 Leased plant and machinery and motor vehicles

At 31 July 2019, the net carrying amount of leased plant and equipment of the Group and of the Company was RM38,777,000 (2018: RM31,893,000) and RM3,004,000 (2018: RM2,506,000) respectively.

3.5 Security

The leased plant and equipment and motor vehicles secures the lease obligations (see Note 17).

Certain property, plant and equipment of the subsidiaries with carrying amount of RM170,559,000 (2018: RM182,710,000) are pledged as security for banking facilities granted to the said subsidiaries (see Note 17).

3.6 Impairment loss

During the financial year, a subsidiary namely, VSA Electronics Technology (Zhuhai) Co., Ltd. ceased its operation. As a result, the Group has assessed the recoverable amount of the plant and machineries of the entire operation in the People's Republic of China and recognised an impairment loss of RM22.1 million during the year.

In 2018, 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 was 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. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

3.7 Transfer from investment property

During the financial year, the Group transferred a factory building from investment property to property, plant and equipment because of the change in use.

3.8 Others

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Land	22,843	23,198	11,717	11,717
Buildings	105,555	111,078	23,840	24,511
	128,398	134,276	35,557	36,228

Motor vehicles of the Group and of the Company with carrying amount of RM2,417,000 (2018: RM1,086,000) and RM2,368,000 (2018: RM952,000) 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 RM262,000 (2018: RM830,000) at a rate of 5.40% (2018: 5.30%) per annum.

4. PREPAID LEASE PAYMENTS

	Note	Land RM'000
Group		
At cost		
At 1 August 2017		112,158
Additions		305
Disposals		(677)
Disposal of a subsidiary	27	(9,722)
Transfer to assets classified as held for sale	15	(4,147)
Exchange differences		(7,006)
At 31 July 2018/1 August 2018		90,911
Exchange differences		809
At 31 July 2019		91,720

4. PREPAID LEASE PAYMENTS (CONT'D)

	Note	Land RM'000
Group (Cont'd)		
Accumulated amortisation		
At 1 August 2017		13,799
Amortisation charge		2,323
Disposal of a subsidiary	27	(1,261)
Transfer to assets classified as held for sale	15	(544)
Exchange differences		(981)
At 31 July 2018/1 August 2018		13,336
Amortisation charge		2,159
Exchange differences		88
At 31 July 2019		15,583
Carrying amounts		
At 1 August 2017		98,359
At 31 July 2018/1 August 2018		77,575
At 31 July 2019		76,137

Prepaid lease payments of certain subsidiaries with carrying amount of RM64,816,000 (2018: RM68,305,000) are pledged as security for banking facilities granted to the said subsidiaries (see Note 17).

5. INVESTMENT PROPERTIES

	Group	
	2019 RM'000	2018 RM'000
At 1 August	4,900	4,900
Transfer to property, plant and equipment (see Note 3)	(3,700)	--
At 31 July	1,200	4,900

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

	Group	
	2019 RM'000	2018 RM'000
Rental income	47	154
Direct operating expenses:		
- income generating investment properties	5	18

5. INVESTMENT PROPERTIES (CONT'D)

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	Level 3	
	2019 RM'000	2018 RM'000
Group		
Land	730	1,630
Buildings	470	3,270
	1,200	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: 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: 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 2019 by independent professional valuers.

6. INTANGIBLE ASSETS

	Group	
	2019 RM'000	2018 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 prior financial year.

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	
	2019 RM'000	2018 RM'000
Cost	425,453	399,441
Less: Impairment loss	(17,756)	(6,662)
	407,697	392,779

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
V.S. Plus Sdn. Bhd.	Malaysia	Manufacturing, assembling and sale of plastic moulded components and parts and electrical products	100	100
V.S. Electronics Sdn. Bhd.	Malaysia	Manufacturing, assembling and sale of electronic and electrical products, components and parts	100	100

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
V.S. Technology Sdn. Bhd.	Malaysia	Design and fabrication of tools and moulds	100	100
V.S. Integrated Management Sdn. Bhd.	Malaysia	Hostel management services, trading of electrical and electronic products	100	100
V.S. Ashin Technology Sdn. Bhd.	Malaysia	Property letting	74.40	74.40
Skreen Fabric (M) Sdn. Bhd.	Malaysia	Manufacturing screen fabric printing, filter components and other related products	100	100
PT. V.S. Technology Indonesia@	Indonesia	Assembling and sale of electronic products and injection moulding of plastic components	100	100
VS Marketing & Engineering Pte. Ltd.@	Singapore	Trading of electronic components	51	51
V S International Venture Pte. Ltd.@	Singapore	Investment holding	100	100
V.S. International Group Limited@ - Listed on Hong Kong Stock Exchange	Cayman Islands	Investment holding	43.34	43.34
Subsidiaries of V.S. International Group Limited@				
V.S. International Industry Limited	British Virgin Islands	Investment holding	43.34	43.34
V.S. Investment Holdings Limited	British Virgin Islands	Dormant	43.34	43.34
V.S. Corporation (Hong Kong) Co., Limited	Hong Kong	Trading of electronic products, parts and components and investment holding	43.34	43.34
V.S. Technology Industry Park (Zhuhai) Co., Ltd.	People's Republic of China	Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components	43.34	43.34

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2019 %	2018 %
Subsidiaries of V.S. International Group Limited@ (Cont'd)				
Haivs Industry (Qingdao) Co., Ltd.	People's Republic of China	Investment holding	43.34	43.34
Qingdao GP Electronic Plastics Co., Ltd.^	People's Republic of China	Dormant	--	43.34
Qingdao GP Precision Mold Co., Ltd.	People's Republic of China	Investment holding	43.34	43.34
VSA Holding Hong Kong Co., Limited	Hong Kong	Investment holding	43.34	43.34
VSA Electronics Technology (Zhuhai) Co., Ltd.	People's Republic of China	Investment holding	43.34	43.34
V.S. Industry (Zhuhai) Co., Ltd.	People's Republic of China	Manufacturing and selling of plastic moulded products and parts	43.34	43.34
V.S. Holding Vietnam Limited	British Virgin Islands	Investment holding	43.34	43.34
V.S. Industry Holding Limited	Hong Kong	Investment holding	43.34	43.34
V.S. ECO-TECH (Zhuhai) Co., Ltd.	People's Republic of China	Dormant	43.34	43.34
V.S. Industrial Product Design (Zhuhai) Co., Ltd.	People's Republic of China	Dormant	43.34	43.34
Energy Ally Global Limited	British Virgin Islands	Investment holding	43.34	43.34
Zhuhai Deyuan Energy Conservation Technology Company Limited	People's Republic of China	Operation and management of rooftop solar plant	43.34	43.34

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2019 %	2018 %
Subsidiary of VS Marketing & Engineering Pte. Ltd.@				
Serumi International Private Limited	Singapore	Design and sale of healthcare products	49.30	49.30
Subsidiary of V S International Venture Pte. Ltd.@				
Guardian South East Asia Pte. Ltd.	Singapore	Trading of driver safety products	100	100
VSB Technology Pte. Ltd.	Singapore	Investment and intellectual properties holding	100	100
Subsidiary of Skreen Fabric (M) Sdn. Bhd.				
Skreen Fabric Marketing Sdn. Bhd.	Malaysia	Trading in all kinds of screen printing equipment, material and kits	100	100

@ *Audited by other firms of accountants*
^ *Disposed during the year (see Note 27)*

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:

	2019 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	178,490	(495)	177,995
Loss allocated to NCI	(45,869)	(53)	(45,922)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	2018		
	V. S. International Group Limited	Other individually immaterial subsidiaries	Total
NCI percentage of ownership interest and voting interest	56.66%		
	RM'000 Restated	**RM'000**	**RM'000 Restated**
Carrying amount of NCI	223,544	(429)	223,115
Loss allocated to NCI	(13,472)	(100)	(13,572)

	Group	
	2019 RM'000	**2018 RM'000 Restated**
V. S. International Group Limited		
Summarised financial information before intra-group elimination		
As at 31 July		
Non-current assets	354,173	420,858
Current assets	194,641	306,257
Non-current liabilities	(44,340)	(38,819)
Current liabilities	(186,789)	(291,440)
Net assets	317,685	396,856
Year ended 31 July		
Revenue	392,506	691,365
Loss for the year	(80,954)	(23,777)
Total comprehensive expense	(80,954)	(23,777)
Cash flows from/(used in) operating activities	26,747	(1,016)
Cash flows from/(used in) investing activities	18,529	(14,567)
Cash flows (used in)/from financing activities	(52,555)	38,169
Net (decrease)/increase in cash and cash equivalents	(7,279)	22,586
Dividends paid to NCI	--	--

8. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At cost				
Shares	92,198	92,198	76,623	76,623
Share of post-acquisition reserves	(15,928)	(11,747)	--	--
	76,270	80,451	76,623	76,623
Less: Impairment loss	(11,651)	(11,651)	(16,623)	(16,623)
	64,619	68,800	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 2019 %	Effective ownership interest and voting interest 2018 %
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:

	2019			2018		
	VS Industry Vietnam Joint Stock Company	**NEP Holdings (Malaysia) Berhad**	**Total**	**VS Industry Vietnam Joint Stock Company**	**NEP Holdings (Malaysia) Berhad**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group						
Summarised financial information						
As at 31 July/30 June						
Non-current assets	14,774	73,032		22,344	77,494	
Current assets	84,142	201,908		92,342	171,206	
Non-current liabilities	(19,708)	(9,230)		(14,861)	(10,573)	
Current liabilities	(80,201)	(84,630)		(100,853)	(35,809)	
Net (liabilities)/assets	(993)	181,080		(1,028)	202,318	
Year ended 31 July/ 30 June						
Profit/(Loss) from continuing operations/ Total comprehensive income/(expense)	44	18,957		(43,468)	19,930	
Included in the total comprehensive income is:						
Revenue	187,091	220,524		189,659	158,997	
Reconciliation of net assets to carrying amount						
As at 31 July/30 June						
Group's share of net assets	--	34,470	34,470	--	38,651	38,651
Goodwill	--	30,149	30,149	--	30,149	30,149
Carrying amount in statement of financial position	--	64,619	69,619	--	68,800	68,800
Group' shares of results						
Year ended 31 July/30 June						
Group's share of (loss)/profit and total comprehensive (expense)/income	--	(2,181)	(2,181)	(10,635)	4,000	(6,635)
Other information						
Dividends received by the Group	--	2,000	2,000	--	1,200	1,200
Refund of investment cost from an associate	--	7,850	7,850	--	--	--

9. OTHER INVESTMENTS

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Fair value through other comprehensive income				
Shares	93,539	162,612	4,727	4,727
Less: Impairment loss	--	(11,665)	--	--
Exchange difference	--	(2,643)	--	--
	93,539	148,304	4,727	4,727

9.1 Equity investment

The Group and the Company designated the investment shown above as equity instruments as at fair value through other comprehensive income because the equity security represents investments that the Group and the Company intend to hold for long-term strategic purposes.

10. TRADE AND OTHER RECEIVABLES

	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000
Non-current				
Prepayments	24,927	32,547	--	--
Impairment loss	(20,400)	(20,240)	--	--
Exchange differences	160	(1,384)	--	--
	4,687	10,923	--	--
Current				
Trade receivables	928,845	856,799	365,031	317,164
Other receivables, deposits and prepayments	65,939	73,815	29,441	26,678
Due from associates				
- trade	--	4,060	--	--
Due from subsidiaries				
- trade	--	--	21,189	13,932
- non-trade	--	--	7,633	7,517
	994,784	934,674	423,294	365,291
	999,471	945,597	423,294	365,291

Included in the non-current prepayments were prepayment of CNY34.0 million (approximately RM20.4 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 RM26.4 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.

10. TRADE AND OTHER RECEIVABLES (CONT'D)

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 RM20.4 million). On 31 August 2016, a settlement agreement was entered into between the Group and the vendor, pursuant to which the vendor shall repay the prepayment and the interest thereon at 5% per annum by 30 November 2016.

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

The trade amounts due from subsidiaries are subject to normal trade terms. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000 Restated
Group						
Property, plant and equipment						
- capital allowances	--	--	(28,380)	(26,096)	(28,380)	(26,096)
- revaluation	--	--	(16,469)	(17,778)	(16,469)	(17,778)
- fair value adjustments	--	--	(26,415)	(26,415)	(26,415)	(26,415)
Contract assets	--	--	(4,817)	(4,020)	(4,817)	(4,020)
Deductible temporary differences	4,917	4,203	--	--	4,917	4,203
Others	--	11	--	--	--	11
Tax assets/(liabilities)	4,917	4,214	(76,081)	(74,309)	(71,164)	(70,095)
Set off of tax	(1,342)	(1,148)	1,342	1,148	--	--
Net tax assets/(liabilities)	3,575	3,066	(74,739)	(73,161)	(71,164)	(70,095)

	Company	
	2019 RM'000	2018 RM'000 Restated
Property, plant and equipment		
- capital allowances	(10,917)	(8,345)
- revaluation	(6,342)	(6,006)
Contract assets	(724)	(767)
Deductible temporary differences	1,318	1,468
Unabsorbed capital allowances	--	7
	(16,665)	(13,643)

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

Movement in temporary differences during the year:

	At 1.8.2018 RM'000	Recognised in profit or loss (Note 22) RM'000	Exchange differences RM'000	At 31.7.2019 RM'000
Group				
Property, plant and equipment				
- capital allowances	(26,096)	(2,138)	(146)	(28,380)
- revaluation	(17,778)	1,621	(312)	(16,469)
- fair value adjustments	(26,415)	--	--	(26,415)
Contract assets	(4,020)	(771)	(26)	(4,817)
Deductible temporary differences	4,203	749	(35)	4,917
Others	11	(11)	--	--
	(70,095)	(550)	(519)	(71,164)

	At 1.8.2017 RM'000 Restated	Recognised in profit or loss (Note 22) RM'000 Restated	Exchange differences RM'000	At 31.7.2018 RM'000 Restated
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)
Contract assets	(3,439)	(581)	--	(4,020)
Deductible temporary differences	4,890	(212)	(475)	4,203
Others	2,336	(2,325)	--	11
	(72,501)	(276)	2,682	(70,095)

	At 1.8.2018 RM'000 Restated	Recognised in profit or loss (Note 22) RM'000	At 31.7.2019 RM'000
Company			
Property, plant and equipment			
- capital allowance	(8,345)	(2,572)	(10,917)
- revaluation	(6,006)	(336)	(6,342)
Contract assets	(767)	43	(724)
Deductible temporary differences	1,468	(150)	1,318
Unabsorbed capital allowances	7	(7)	--
	(13,643)	(3,022)	(16,665)

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

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

	At 1.8.2017 RM'000 Restated	Recognised in profit or loss (Note 22) RM'000 Restated	At 31.7.2018 RM'000 Restated
Company			
Property, plant and equipment			
- capital allowance	(5,892)	(2,453)	(8,345)
- revaluation	(6,195)	189	(6,006)
Contract assets	(359)	(408)	(767)
Deductible temporary differences	733	735	1,468
Unabsorbed capital allowances	2,267	(2,260)	7
Unutilised tax losses	69	(69)	--
	(9,377)	(4,266)	(13,643)

Unrecognised deferred tax assets

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

	Group	
	2019 RM'000	2018 RM'000
Unutilised tax losses		
- China entities (see Note (a) below)	76,571	48,433
- Malaysia entities (see Note (b) below)	12,920	12,920
	89,491	61,353
Taxable temporary differences	--	(1,107)
	89,491	60,246

(a) Unutilised tax losses of subsidiaries incorporated in the People's Republic of China are subjected to a 5-year time limit under the tax legislation of People's Republic of China.

(b) Pursuant to the Finance Act 2018, unutilised tax losses can only be carried forward up to 7 consecutive year of assessment. The unutilised tax losses will expire in year 2025.

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 Group can utilise the benefits there from.

12. INVENTORIES

	Malaysia RM'000	China RM'000	Others RM'000	Total RM'000 Restated
Group				
2019				
Raw materials	286,236	15,107	25,325	326,668
Work-in-progress	871	3,905	2,427	7,203
Finished goods	1,812	10,538	4,235	16,585
Packing materials	21,087	--	--	21,087
	310,006	29,550	31,987	371,543
Recognised in profit or loss:				
- Inventories recognised as cost of sales	2,995,463	371,781	229,903	3,597,147
- Write down of obsolete and slow-moving inventories	1,762	7,578	1,437	10,777
2018				
Raw materials	304,640	34,729	27,338	366,707
Work-in-progress	1,272	8,842	2,740	12,854
Finished goods	861	4,674	6,214	11,749
Packing materials	3,664	--	--	3,664
	310,437	48,245	36,292	394,974
Recognised in profit or loss:				
- Inventories recognised as cost of sales	2,812,541	609,211	289,202	3,710,954
- Write down of obsolete and slow-moving inventories	1,177	5,548	(1,922)	4,803

	Company	
	2019 RM'000	2018 RM'000 Restated
Raw materials	116,687	108,875
Packaging materials	21,087	3,664
	137,774	112,539
Recognised in profit or loss:		
- Inventories recognised as cost of sales	1,724,820	1,477,946
- Write down of obsolete and slow-moving inventories	901	1,376

13. CONTRACT ASSETS/(LIABILITIES)

	Group		Company	
	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000 Restated
Contract assets	158,904	170,762	41,580	48,879
Contract liabilities	(10,276)	(8,065)	--	--

The contract assets primarily relate to the Group's and Company's rights to consideration for work completed on contracts but not yet billed at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 60 to 360 days.

The contract liabilities primarily relate to the advance consideration received from a customer for non-recurring engineering cost in setting up the new production lines. The contract liabilities are expected to be offset against the cost to be incurred in the next twelve months.

The contract assets at the beginning of the period was recognised as trade receivables during the financial year.

The contract liabilities at the beginning of the period was offset against cost during the financial year.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	323,612	307,471	40,825	39,281
Fixed deposits with licensed banks	55,845	108,165	203	6,397
Cash and cash equivalent in the statements of financial position	379,457	415,636	41,028	45,678
Less: Pledged deposits	(39,949)	(40,895)	--	--
Bank overdrafts	(9,868)	(11,892)	--	--
Cash and cash equivalents in the statements of cash flows	329,640	362,849	41,028	45,678

Included in the deposits placed with licensed banks of the Group is RM39,949,000 (2018: RM40,895,000) pledged for bank facilities granted to certain subsidiaries.

15. 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 and was completed on 6 November 2018.

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

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

16. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2019 RM'000	2018 RM'000	2019 '000	2018 '000
Issued and fully paid shares classified as equity instruments				
Ordinary shares:				
At 1 August	603,303	369,109	1,697,151	1,203,837
Shares issued under ESOS	13,182	8,749	23,472	14,473
Shares held under trust	11,480	12,180	20,500	18,000
Share options exercised	6,044	6,532	--	--
Conversion of Warrants	119,068	206,733	90,203	128,924
Bonus issue	--	--	--	331,917
At 31 July	753,077	603,303	1,831,326	1,697,151

In 2018, 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.

16. CAPITAL AND RESERVES (CONT'D)

Reserves

	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000 Restated
Non-distributable				
Revaluation reserve	56,465	63,202	27,334	27,939
Exchange fluctuation reserve	58,500	46,171	--	--
Capital reserve	10,208	9,580	--	--
Fair value reserve	(5,264)	74,087	--	--
Employee share-based reserve	5,296	13,588	5,484	9,951
Treasury shares	(4,979)	(1,792)	(4,979)	(1,792)
Shares held under trust	(1,659)	(1,379)	(1,659)	(1,379)
	118,567	203,457	26,180	34,719
Distributable				
Retained earnings	734,822	630,830	56,892	43,420
	853,389	834,287	83,072	78,139

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 equity securities designed at fair value through other comprehensive income.

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.

16. CAPITAL AND RESERVES (CONT'D)

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:

	2019		2018	
	Weighted average exercise price RM	Number of options ('000)	Weighted average exercise price RM	Number of options ('000)
Outstanding at 1 August	0.64	84,099	0.78	99,807
Granted during the year	--	--	2.23	700
Adjustment for bonus issue during the year	--	--	--	20,430
Forfeited during the year	1.00	(1,854)	1.08	(2,024)
Exercised during the year	0.59	(43,474)	0.69	(34,814)
Outstanding at 31 July	0.68	38,771	0.64	84,099

The options outstanding at 31 July 2019 have an exercise price in the range of RM0.56 to RM1.78 (2018: RM0.56 to RM1.78) and a weighted average contractual life of less than a year (2018: 1 year).

16. 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
Fair value at grant date	RM0.39
Share price at grant date	RM2.48
Expected volatility (weighted average volatility)	455.00%
Option life (expected weighted average life)	2 years
Expected dividends	3.90%
Risk-free interest rate (based on Malaysian Government Securities)	3.32%

Value of employee services received for issue of share options

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total expense recognised as equity settled share-based transactions	1,575	6,885	734	1,947

Treasury shares

At the Annual General Meeting held on 4 January 2019, the shareholders of the Company renewed their approval for the Company to repurchase its own shares.

During the financial year, the Company repurchased a total of 4,513,800 of its own shares with an average repurchase price of RM0.71.

At 31 July 2019, a total of 10,430,480 (2018: 5,916,680) repurchased shares are being held as treasury shares. The number of outstanding ordinary shares in issue after the set off is 1,820,895,323 (2018: 1,691,233,995).

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.

16. 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:

	2019 RM'000	2018 RM'000
As at 1 August	1,379	1,607
Subscription of new shares	(11,480)	(12,180)
Exercise of ESOS options by eligible employees via ETF mechanism	11,760	11,952
As at 31 July	1,659	1,379

17. LOANS AND BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Secured				
Term loans	2,146	7,792	--	--
Finance lease liabilities	12,660	15,324	1,603	1,418
	14,806	23,116	1,603	1,418
Unsecured				
Term loans	52,098	70,642	34,157	48,528
	66,904	93,758	35,760	49,946
Current				
Secured				
Term loans	4,341	24,728	--	--
Bank overdrafts	9,868	11,892	--	--
Trust receipts	52,703	108,787	--	--
Short term loan	27,141	--	--	--
Finance lease liabilities	11,865	8,163	569	454
	105,918	153,570	569	454
Unsecured				
Revolving credits	--	15,000	--	15,000
Term loans	31,224	38,104	26,788	21,927
Bankers' acceptances	69,379	131,923	64,714	101,698
Trust receipts	130,630	180,226	105,414	63,925
Short term loan	24,386	32,867	--	--
	255,619	398,120	196,916	202,550
	361,537	551,690	197,485	203,004
	428,441	645,448	233,245	252,950

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 30.5.

17. LOANS AND BORROWINGS (CONT'D)

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
2019						
Less than one year	13,487	1,622	11,865	655	86	569
Between one and five years	13,441	781	12,660	1,705	102	1,603
	26,928	2,403	24,525	2,360	188	2,172
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

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

	At 1 August 2018 RM'000	Net changes from financing cash flows RM'000	Exchange differences RM'000	Finance lease liabilities obtained during the year RM'000	At 31 July 2019 RM'000
Group					
Term loans	141,266	(51,457)	--	--	89,809
Finance lease liabilities	23,487	(7,346)	--	8,384	24,525
Trust receipts	289,013	(105,809)	129	--	183,333
Short term loan	32,867	18,660	--	--	51,527
Revolving credits	15,000	(15,000)	--	--	--
Bankers' acceptances	131,923	(62,544)	--	--	69,379
Loan from a Director (Note 18)	--	10,347	--	--	10,347
Total liabilities from financing activities	633,556	(213,149)	129	8,384	428,920
Company					
Term loans	70,455	(9,510)	--	--	60,945
Finance lease liabilities	1,872	(530)	--	830	2,172
Trust receipts	63,925	41,360	129	--	105,414
Revolving credits	15,000	(15,000)	--	--	--
Bankers' acceptances	101,698	(36,984)	--	--	64,714
Total liabilities from financing activities	252,950	(20,664)	129	830	233,245

17. LOANS AND BORROWINGS (CONT'D)

Reconciliation of movement of liabilities to cash flows arising from financing activities: (Cont'd)

	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

18. LOAN FROM A DIRECTOR/DUE TO DIRECTORS

Non-current loan from a Director is unsecured, subject to interest at 4.3% per annum and repayable within 2 years.

Current amounts due to Directors are unsecured, interest free and repayable on demand.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000
Trade payables	568,478	582,772	235,289	202,933
Other payables and accrued expenses	139,466	139,220	48,819	36,831
Due to subsidiaries				
- trade	--	--	37,774	70,869
	707,944	721,992	321,882	310,633

Included in other payables and accrued expenses are:

	Group		Company	
	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000
Property, plant and equipment creditors	30,991	15,098	21,466	5,162
Sundry creditors	33,371	48,781	9,475	12,143
Accrued expenses	75,104	75,341	17,878	19,526
	139,466	139,220	48,819	36,831

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

20. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000 Restated
Timing and recognition				
- Over time	3,463,608	3,354,512	1,839,884	1,555,980
- At a point in time	514,560	745,438	--	--
Revenue from contracts with customers	3,978,168	4,099,950	1,839,884	1,555,980
Other revenue	182	786	--	--
Total revenue	3,978,350	4,100,736	1,839,884	1,555,980

20. REVENUE (CONT'D)

20.1 Disaggregation of revenue

	Group		Company	
	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000 Restated
Primary geographical markets				
Malaysia	2,540,095	2,171,241	1,805,385	1,528,800
United States of America	622,898	712,951	18,862	11,367
Indonesia	244,202	306,500	118	--
Europe	171,157	445,343	2,208	1,707
People's Republic of China	148,526	195,310	630	1,982
Singapore	27,627	33,950	4,271	5,216
Others	223,845	235,441	8,410	6,908
	3,978,350	4,100,736	1,839,884	1,555,980

20.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable consideration
Electrical and electronic components and products, plastic moulded components and parts	Revenue is recognised over time as costs are incurred. These contracts would meet the no alternative use and the Group has rights to payment for work performed	Credit period of 60 to 360 days from invoice date	Early settlement rebate is given to certain customer when repayment is made before the due date

The Group applies the practical expedients for exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

21. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	25,828	28,385	9,202	10,429
Less: Amount capitalised in property, plant and equipment	(262)	(830)	--	--
	25,566	27,555	9,202	10,429
Add: Other finance costs	1,478	2,211	125	580
	27,044	29,766	9,327	11,009

22. TAX EXPENSE

Recognised in profit or loss

Major components of income tax expense include:

	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000 Restated
Current tax expense				
- Current year	63,591	39,037	16,304	4,804
- Prior years	(1,757)	(599)	(1,718)	1,015
	61,834	38,438	14,586	5,819
Deferred tax expense				
- Origination and reversal of temporary differences	2,849	1,009	4,485	4,236
- (Over)/Under provision in prior years	(2,299)	(733)	(1,463)	30
	550	276	3,022	4,266
Total tax expense	62,384	38,714	17,608	10,085
Reconciliation of tax expense				
Profit before tax	181,856	176,216	102,367	82,744
Income tax calculated using Malaysian tax rate of 24%	43,645	42,292	24,568	19,859
Effect of different tax rates in foreign jurisdictions	(333)	(2,791)	--	--
Deferred tax assets not recognised in subsidiaries	7,019	(722)	--	--
Non-deductible expenses	18,112	7,595	5,890	3,837
Non-taxable income	(2,003)	(280)	(9,669)	(11,558)
Utilisation of tax incentives	--	(6,048)	--	(3,098)
	66,440	40,046	20,789	9,040
(Over)/Under provision in prior years	(4,056)	(1,332)	(3,181)	1,045
Total tax expense	62,384	38,714	17,608	10,085

23. PROFIT FOR THE YEAR

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the year is arrived at after charging/(crediting)				
Audit fees				
- KPMG PLT	390	359	205	185
- Other auditors	1,075	1,235	--	--
Non-audit fees				
- KPMG PLT	8	16	8	16
- Local affiliates of KPMG PLT	14	47	--	35
- Other auditors	211	539	--	--
Amortisation of prepaid lease payments	2,159	2,323	--	--
Write down of obsolete and slow moving inventories	10,777	4,803	901	1,376
Depreciation	97,024	79,328	20,311	10,703
Impairment loss/(Reversal) on:				
- Trade receivables	603	(270)	--	--
- Investment in subsidiaries	--	--	11,094	(16,800)
- Property, plant and equipment	22,068	3,000	--	--
Loss on disposal of a subsidiary	3,002	16,936	--	--
Operating lease rental	4,071	5,302	--	--
Personnel expenses (including key management personnel):				
- Contributions to state plans	13,567	12,674	5,380	5,088
- Wages, salaries and others	448,195	472,525	136,963	132,836
- Equity settled share-based transactions	1,575	6,885	734	1,947
Rental of premises	23,680	23,394	8,555	6,355
Foreign exchange:				
- Unrealised (gain)/loss	(2,083)	1,872	(2,122)	1,606
- Realised gain	(8,197)	(18,712)	(4,638)	(14,747)
Dividend income from:				
- Subsidiaries	--	--	(30,000)	(30,000)
- An associate	--	--	(2,000)	(1,200)
Property, plant and equipment:				
- Loss/(Gain) on disposal	5,368	757	(548)	(224)
- Written off	45	13	--	--
Rental income	(137)	(1,241)	(12)	(294)

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 July 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2019 RM'000	2018 RM'000 Restated
Profit for the year attributable to owners	165,394	151,074

Weighted average number of ordinary shares are determined as follows:

	Group	
	2019 '000	2018 '000
Weighted average number of ordinary shares at 31 July	1,783,160	1,626,192

	2019	2018 Restated
Basic earnings per ordinary share (sen)	9.28	9.29

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 July 2019 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2019 RM'000	2018 RM'000 Restated
Profit for the year attributable to owners (diluted)	165,394	151,074

Weighted average number of ordinary shares (diluted):

	Group	
	2019 RM'000	2018 RM'000
Weighted average number of ordinary shares (basic)	1,783,160	1,626,192
Effect of share options in issue	17,004	58,506
Effect of conversation of warrants	--	75,712
Weighted average number of ordinary shares at 31 July (diluted)	1,800,164	1,760,410

24. EARNINGS PER ORDINARY SHARE (CONT'D)

Diluted earnings per ordinary share (Cont'd)

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options and warrants was based on quoted market prices for the period during which the options and warrants were outstanding.

	2019	2018 Restated
Diluted earnings per ordinary share (sen)	9.19	8.58

25. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2019			
Fourth dividend 2018	0.6	10,406	31 October 2018
Final dividend 2018	0.6	10,826	31 January 2019
First dividend 2019	1.0	18,054	12 March 2019
Second dividend 2019	1.0	18,059	30 April 2019
Third dividend 2019	0.8	14,547	31 July 2019
		71,892	
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	

After the end of 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 2019	0.8	14,749	31 October 2019
Final dividend 2019	0.8	14,778	--
		29,527	

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

26. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment represents:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current year additions (Note 3)	141,564	216,930	86,041	65,950
Less: Amount financed by:				
- finance lease creditors (Note 17)	(8,384)	(8,825)	(830)	(1,260)
- amount under credit term (Note 19)	(30,991)	(15,098)	(21,466)	(5,162)
- finance cost capitalised (Note 3)	(262)	(830)	--	--
Add: Payment in respect of previous year's purchase of property, plant and equipment (Note 19)	15,098	14,018	5,162	1,118
	117,025	206,195	68,907	60,646

27. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed of its entire equity interest in Qingdao GP Electronic Plastics Co., Ltd. for a total cash consideration of CNY27.0 million (equivalent to RM15.9 million).

In 2018, 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	
	2019 RM'000	2018 RM'000
Revenue	--	77,133
Expenses	--	(77,580)
Results from operating activities	--	(447)
Tax expense	--	(800)
Results from operating activities, net of tax	--	(1,247)
Loss on disposal of a subsidiary	(3,002)	(16,936)
Loss for the year	(3,002)	(18,183)
Loss attributable to:		
Owners of the Company	(1,301)	(7,881)
Non-controlling interests	(1,701)	(10,302)
Loss for the year	(3,002)	(18,183)
Cash flows from/(used in) disposal of a subsidiary		
Net cash from operating activities	--	3,413
Net cash used in investing activities	--	(1,149)
Effect on cash flows	--	2,264

27. DISPOSAL OF A SUBSIDIARY (CONT'D)

Effect of disposal on the financial position of the Group

	Note	2019 RM'000	2018 RM'000
Property, plant and equipment	15	15,257	46,629
Prepaid lease payment	15	3,603	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		18,860	60,214
Loss on disposal of a subsidiary		(3,002)	(16,936)
Consideration received satisfied in cash		15,858	43,278
Cash and cash equivalents disposed of		--	(4,962)
Net cash inflow		15,858	38,316

28. 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.

28. OPERATING SEGMENTS (CONT'D)

	Malaysia		People's Republic of China		Indonesia		Total	
	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000 Restated
Segment profit/(loss)	267,801	198,473	(82,980)	(20,937)	991	3,165	185,812	180,701
Included in the measure of segment profit are:								
Revenue from external customers	3,337,702	3,101,769	388,130	690,954	245,563	303,986	3,971,395	4,096,709
Inter-segment revenue	3,979	77	4,376	411	--	--	8,355	488
Depreciation and amortisation	(54,322)	(38,971)	(37,565)	(35,308)	(6,730)	(7,257)	(98,617)	(81,536)
Finance costs	(16,588)	(19,679)	(9,556)	(8,605)	(878)	(1,284)	(27,022)	(29,568)
Finance income	6,868	5,619	980	548	89	173	7,937	6,340
Not included in the measure of segment profit but provided to Group Managing Director								
Tax expense	(63,604)	(46,236)	2,026	7,795	(841)	(854)	(62,419)	(39,295)
Segment assets	2,679,895	2,532,823	548,814	727,115	148,546	153,265	3,377,255	3,413,203
Included in the measure of segment assets are:								
Additions to non-current assets other than financial instruments and deferred tax assets	121,638	150,482	15,612	63,119	3,447	3,626	140,697	217,227
Segment liabilities	1,007,498	1,158,664	231,129	330,259	68,191	74,572	1,306,818	1,563,495

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

	2019 RM'000	2018 RM'000 Restated
Profit		
Total profit for reportable segments	185,812	180,701
Other non-reportable segments	(1,775)	2,150
Share of loss of equity accounted associates not included in reportable segments	(2,181)	(6,635)
Consolidated profit before tax	181,856	176,216

28. OPERATING SEGMENTS (CONT'D)

	External revenue RM'000 Restated	Depreciation and amortisation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000 Restated	Investment in associates RM'000	Additions to non-current assets RM'000	Segment liabilities RM'000 Restated
2019								
Total reportable segments	3,971,395	(98,617)	(27,022)	7,937	3,377,255	--	140,697	1,306,818
Other non-reportable segments	6,955	(566)	(22)	75	115,444	--	867	5,839
Components not monitored by Group Managing Director	--	--	--	--	--	64,619	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(455,099)	--	--	(59,518)
Consolidated total	3,978,350	(99,183)	(27,044)	8,012	3,037,600	64,619	141,564	1,253,139
2018								
Total reportable segments	4,096,709	(81,536)	(29,568)	6,340	3,413,203	--	217,227	1,563,495
Other non-reportable segments	4,027	(115)	(198)	127	190,905	--	8	22,629
Components not monitored by Group Managing Director	--	--	--	--	--	68,800	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(481,068)	--	--	(123,789)
Consolidated total	4,100,736	(81,651)	(29,766)	6,467	3,123,040	68,800	217,235	1,462,335

28. OPERATING SEGMENTS (CONT'D)

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

	Revenue		Non-current assets	
	2019 RM'000	**2018 RM'000 Restated**	**2019 RM'000**	**2018 RM'000**
Group				
Malaysia	2,540,095	2,171,241	546,644	487,246
United States of America	622,898	712,951	--	--
Indonesia	244,202	306,500	62,040	64,288
Europe	171,157	445,343	--	--
People's Republic of China	148,526	195,310	353,984	415,213
Singapore	27,627	33,950	101,885	148,125
Others	223,845	235,441	--	--
Total	3,978,350	4,100,736	1,064,553	1,114,872

Major customers

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

	Revenue		Segment
	2019 RM'000	**2018 RM'000 Restated**	
Customer A	1,576,048	1,373,245	Malaysia
Customer B	441,794	571,057	Malaysia
Customer C	408,637	421,311	Malaysia

29. CONTINGENCIES (UNSECURED)

	Company	
	2019 RM'000	**2018 RM'000**
Corporate guarantees given to financial institutions in respect of outstanding term loans and banking facilities of the subsidiaries	75,420	206,059

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

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

(a) Amortised cost ("AC")
(b) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designated upon initial recognition ("EIDUIR")

	Carrying amount RM'000	AC RM'000	FVOCI-EIDUIR RM'000
Group			
2019			
Financial assets			
Other investments	93,539	--	93,539
Trade and other receivables	994,784	994,784	--
Cash and cash equivalents	379,457	379,457	--
	1,467,780	1,374,241	93,539
Financial liabilities			
Loans and borrowings	(428,441)	(428,441)	--
Trade and other payables	(707,944)	(707,944)	--
Loan from a Director	(10,347)	(10,347)	--
Due to Directors	(4,322)	(4,322)	--
	(1,151,054)	(1,151,054)	--
2018			
Financial assets			
Other Investments	148,304	--	148,304
Trade and other receivables	934,674	934,674	--
Cash and cash equivalents	415,636	415,636	--
	1,498,614	1,350,310	148,304
Financial liabilities			
Loans and borrowings	(645,448)	(645,448)	--
Trade and other payables	(721,992)	(721,992)	--
Due to Directors	(4,322)	(4,322)	--
	(1,371,762)	(1,371,762)	--

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	AC RM'000	FVOCI-EIDUIR RM'000
Company			
2019			
Financial assets			
Other investments	4,727	--	4,727
Trade and other receivables	423,294	423,294	--
Dividend receivable	30,000	30,000	--
Cash and cash equivalents	41,028	41,028	--
	499,049	494,322	4,727
Financial liabilities			
Loans and borrowings	(233,245)	(233,245)	--
Trade and other payables	(321,882)	(321,882)	--
	(555,127)	(555,127)	--
2018			
Financial assets			
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	--
	445,696	440,969	4,727
Financial liabilities			
Loans and borrowings	(252,950)	(252,950)	--
Trade and other payables	(310,633)	(310,633)	--
	(563,583)	(563,583)	--

30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net (losses)/gains on:				
Financial assets at amortised cost	15,105	32,766	10,541	5,338
Equity instruments designated at fair value through other comprehensive income				
- recognised in other comprehensive income	(80,472)	85,752	--	--
Financial liabilities at amortised cost	(24,460)	(38,955)	(11,472)	(1,997)
	(89,827)	79,563	(931)	3,341

30. FINANCIAL INSTRUMENTS (CONT'D)

30.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

30.4 Credit risk

Credit risk is the risk of a financial loss 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 customers and fixed deposits placements with licensed banks. The Company's exposure to credit risk arises principally from its customers, loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior period.

Trade receivables and contract assets

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.

At each reporting date, the Group and the Company assess whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to prior period.

Exposure to credit risk, credit quality and collateral

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

Concentration of credit risk

The Group and the Company have significant concentration of credit risk arising from amounts due from two major customers, representing 56% and 88% (2018: 51% and 93%) of the Group's and of the Company's trade receivables respectively.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Concentration of credit risk (Cont'd)

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Malaysia	615,226	601,471	396,922	356,767
Indonesia	47,224	36,189	--	--
People's Republic of China	48,733	70,112	--	--
United States of America	284,484	220,684	6,622	4,663
Others	92,082	99,105	3,067	4,613
	1,087,749	1,027,561	406,611	366,043

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group and the Company manage its debtors and takes appropriate actions to recover long overdue balances.

As there are only few customers, the Group and the Company assess the risk of loss of the customer individually based on their financial information past trend of payment and external credit ratings, where applicable. The Group also uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before year end and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The following table provides information about the exposure to credit risk and expected credit losses ("ECLs") for trade receivables and contract assets as at the end of reporting period which are grouped together as they are expected to have similar risk nature.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

	Group			Company
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000	Gross carrying amount/ Net balance RM'000
2019				
Current (not past due)	928,094	(11)	928,083	342,052
1 - 30 days past due	134,100	(42)	134,058	61,052
31 - 60 days past due	20,602	(53)	20,549	1,706
61 - 90 days past due	4,023	--	4,023	1,603
	1,086,819	(106)	1,086,713	406,413
Credit impaired				
More than 90 days past due	1,982	(946)	1,036	198
	1,088,801	(1,052)	1,087,749	406,611
Trade receivables	929,897	(1,052)	928,845	365,031
Contract assets	158,904	--	158,904	41,580
	1,088,801	(1,052)	1,087,749	406,611
2018				
Current (not past due)	891,700	--	891,700	316,514
1 - 30 days past due	121,457	--	121,457	46,227
31 - 60 days past due	6,204	--	6,204	1,869
61 - 90 days past due	1,405	--	1,405	36
	1,020,766	--	1,020,766	364,646
Credit impaired				
More than 90 days past due	7,245	(450)	6,795	1,397
	1,028,011	(450)	1,027,561	366,043
Trade receivables	857,249	(450)	856,799	317,164
Contract assets	170,762	--	170,762	48,879
	1,028,011	(450)	1,027,561	366,043

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below.

	Credit impaired/Total	
Group	2019 RM'000	2018 RM'000
Balance at 1 August	450	1,046
Amounts written off	--	(354)
Net remeasurement of loss allowance	603	(270)
Exchange differences	(1)	28
Balance at 31 July	1,052	450

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.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Risk management objectives, policies and processes for managing the risk

The Group and the Company monitor the exposure to credit risk on individual basis.

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 the Group and the Company do not recognise any allowance for impairment losses.

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 the ability of the subsidiaries to service its loans on an individual basis.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Credit risk (Cont'd)

Financial guarantees (Cont'd)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM75.4 million (2018: RM206.1 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiaries' secured loans.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when subsidiaries' financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiaries are unlikely to repay their credit obligation to the bank in full; or
- The subsidiaries are continuously loss making and are having deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, the Company does not recognise any allowance as they are categorised as low risk.

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.

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.

Recognition and measurement of impairment loss

The Company considers amounts due from subsidiaries have low credit risk.

The Company assumes that there is a significant increase in credit risk when subsidiary's financial position deteriorates significantly. The Company considers subsidiary to be credit impaired when:

- The subsidiaries are unlikely to repay their advance to the Company in full; or
- The subsidiaries are continuously loss making and are having deficit shareholders' fund.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Credit risk (Cont'd)

Inter-company balances (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for amounts due from subsidiaries.

Company	Gross carrying amount/Net balance 2019 RM'000	2018 RM'000
Low credit risk	28,822	21,449

As at the end of the reporting period, the Company does not recognise any loss allowance as they are categorised as low risk.

30.5 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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Liquidity risk (Cont'd)

Maturity analysis

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

Group	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2019							
Non-derivative financial liabilities							
Secured finance lease liabilities	24,525	2.28 - 3.65	26,928	13,487	9,100	4,341	--
Secured term loans	6,487	3.70 - 12.15	7,389	4,504	290	834	1,761
Secured short term loan	27,141	5.60	27,453	27,453	--	--	--
Secured trust receipts	52,703	5.40	53,407	53,407	--	--	--
Secured bank overdrafts	9,868	7.00	10,564	10,564	--	--	--
Unsecured short term loan	24,386	5.60	24,524	24,524	--	--	--
Unsecured term loans	83,322	3.70 - 6.18	90,912	35,181	33,632	22,099	--
Unsecured bankers' acceptances	69,379	3.46 - 3.99	69,379	69,379	--	--	--
Unsecured trust receipts	130,630	0.43 - 3.80	130,630	130,630	--	--	--
Loan from a Director	10,347	4.30	10,912	461	10,451	--	--
Due to Directors	4,322	--	4,322	4,322	--	--	--
Trade and other payables	707,944	--	707,944	707,944	--	--	--
	1,151,054		1,164,364	1,081,856	53,473	27,274	1,761
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	721,992	--	721,992	721,992	--	--	--
	1,371,762		1,390,901	1,288,063	53,031	44,699	5,108

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Liquidity risk (Cont'd)

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Company							
2019							
Non-derivative financial liabilities							
Secured finance lease liabilities	2,172	2.28 - 2.42	2,360	655	654	1,051	--
Unsecured term loans	60,945	3.87 - 6.18	66,236	29,932	28,563	7,741	--
Unsecured bankers' acceptances	64,714	3.46 - 3.98	64,714	64,714	--	--	--
Unsecured trust receipts	105,414	0.43 - 3.80	105,414	105,414	--	--	--
Trade and other payables	321,882	--	321,882	321,882	--	--	--
Financial guarantee*	--	--	75,420	75,420	--	--	--
	555,127		636,026	598,017	29,217	8,792	--
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 30.4.

30.6 Market risk

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

Currency risk

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

30. FINANCIAL INSTRUMENTS (CONT'D)

30.6 Market risk (Cont'd)

Currency risk (Cont'd)

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. The outstanding forward exchange contract is not material to the financial statements.

Exposure to foreign currency risk

The Group's and the Company'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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade and other receivables	2,228	8,298	67,196	88,739	14,501	12,210
Cash and cash equivalents	16,273	41,105	50,214	138,506	4,508	4,294
Trade and other payables	(41,672)	(36,226)	(238,393)	(239,593)	(135,770)	(84,130)
Unsecured trust receipts	(6,151)	--	(120,763)	(172,684)	(101,697)	(63,925)
Unsecured term loans	--	(1,666)	(55,644)	(59,520)	(39,093)	(40,269)
Secured trust receipts	--	--	(14,670)	(33,182)	--	--
Secured term loans	--	--	(4,131)	(27,845)	--	--
Loan from a Director	--	--	(10,347)	--	--	--
Unsecured bankers' acceptances	(3,084)	(10,294)	--	--	--	--
Finance lease liabilities	(311)	(445)	--	--	--	--
	(32,717)	772	(326,538)	(305,579)	(257,551)	(171,820)

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% (2018: 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.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.6 Market risk (Cont'd)

Currency risk sensitivity analysis (Cont'd)

	Denominated in RM	Denominated in USD	
	Group RM'000	Group RM'000	Company RM'000
2019			
Profit or (loss)	2,486	24,817	19,574
2018			
Profit or (loss)	(59)	23,224	13,058

A 10% (2018: 10%) weakening of USD/RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's investments in fixed rate deposits and its 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. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

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 (2018: RM9,986,400) in order to achieve an appropriate mix of fixed and floating rate exposure. At 31 July 2019, the swap matures over the next five 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments				
Financial assets	54,839	108,165	203	6,397
Financial liabilities	(272,884)	(410,005)	(172,300)	(182,495)
	(218,045)	(301,840)	(172,097)	(176,098)
Floating rate instruments				
Financial liabilities	(165,904)	(235,443)	(60,945)	(70,455)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.6 Market risk (Cont'd)

Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. 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 RM1,261,000 (2018: RM1,789,000) and RM463,000 (2018: RM535,000) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

30.7 Fair value information

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

The table below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value	Total fair value	Carrying amount
Group	**Level 1 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 3 RM'000**	**RM'000**	**RM'000**
2019						
Financial assets						
Shares	88,812	4,727	93,539	--	93,539	93,539
Financial liabilities						
Term loans	--	--	--	(82,029)	(82,029)	(89,809)
Finance lease liabilities	--	--	--	(23,709)	(23,709)	(24,525)
Loan from a Director	--	--	--	(10,040)	(10,040)	(10,347)
	--	--	--	(115,778)	(115,778)	(124,681)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.7 Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value	Total fair value	Carrying amount
Company	**Level 1 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 3 RM'000**	**RM'000**	**RM'000**
2019						
Financial assets						
Shares	--	4,727	4,727	--	4,727	4,727
Financial liabilities						
Term loans	--	--	--	(54,617)	(54,617)	(60,945)
Finance lease liabilities	--	--	--	(1,774)	(1,774)	(2,172)
	--	--	--	(56,391)	(56,391)	(63,117)
Group						
2018						
Financial assets						
Shares	143,577	4,727	148,304	--	148,304	148,304
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 assets						
Shares	--	4,727	4,727	--	4,727	4,727
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)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.7 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.

a) Financial instruments carried at fair value

Type	Description of valuation technique and inputs used	Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value measurements
Unquoted shares	The fair value of unquoted shares are based on the adjusted net asset method by reference to the fair value of the assets and liabilities of the investee.	Net assets value	The higher the value of net assets the higher the fair value.

Sensitivity analysis

Management believes that the changing in one or more of the unobservable inputs would not change the fair value significantly. The sensitivity of the fair value measurements to changes in unobservable inputs is therefore not presented.

b) Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Term loans/Finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the Group entities at the reporting date.

31. 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.

31. CAPITAL MANAGEMENT (CONT'D)

The debt-to-equity ratios at 31 July 2019 and 31 July 2018 were as follows:

	Group	
	2019 RM'000	2018 RM'000 Restated
Total loans and borrowings (Note 17)	428,441	645,448
Less: Cash and cash equivalents (Note 14)	(379,457)	(415,636)
Net debt	48,984	229,812
Total equity attributable to owners of the Company	1,606,466	1,437,590
Debt-to-equity ratio	0.03	0.16

32. CAPITAL COMMITMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Capital expenditure commitments				
Property, plant and equipment				
Contracted but not provided for	23,150	61,236	5,786	55,578

33. 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	
	2019 RM'000	2018 RM'000
Within one year	1,473	2,428

34. 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.

34. RELATED PARTIES (CONT'D)

Identity of related parties (Cont'd)

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 include 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.

Significant related party transactions

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
A. Subsidiaries				
Sales of goods	--	--	83,348	91,513
Sales of plant and equipment	--	--	108	346
Purchases of goods	--	--	285,313	329,826
Purchases of plant and equipment	--	--	5,637	12,561
Rental expense	--	--	8,495	6,151
Dividend receivable	--	--	30,000	30,000
B. Associates				
Sales of goods	--	2,469	--	--
Outstanding balances:				
- due from	--	4,060	--	--
C. Companies which are wholly - owned by close family Member of certain Directors				
Purchases of tooling	6,515	4,399	--	--
Outstanding balances:				
- due to	1,497	1,009	--	--
- due from	121	--	--	--
D. Company in which the spouse of a Director has financial interest				
Purchases of goods	7,675	9,152	4,828	4,283
Sales of goods	662	--	662	--
Outstanding balances:				
- due to	3,173	2,667	1,990	1,316
- due from	662	--	662	--

34. RELATED PARTIES (CONT'D)

Significant related party transactions (Cont'd)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
E. Remuneration paid to staff who are close family member of certain Directors	1,344	2,655	306	477
F. A company controlled by a Director				
Operating lease charges and management fee expense	3,951	5,068	--	--
Outstanding balances:				
- due to	125	121	--	--
- due from	203	1,200	--	--
G. A company controlled by the family member of a Director				
Sub-contracting fee expense	3,206	4,226	--	--
Outstanding balances	832	724	--	--
H. A company controlled by the family member of a key management personnel				
Repair and maintenance services	449	622	--	--
Outstanding balances	50	--	--	--
I. Key management personnel				
Directors				
- Fees	972	888	604	624
- Remuneration	24,439	22,033	8,449	7,836
- Contributions to state plans	3,030	2,834	1,330	1,364
- Equity settled share-based transaction	169	1,349	169	423
Total short term employee benefits	28,610	27,104	10,552	10,247
Other key management personnel:				
- Wages, salaries and others	4,166	4,216	516	485
- Contributions to state plans	212	202	62	58
- Other short term employee benefits	60	55	9	9
- Equity settled share-based transaction	47	357	7	30
	4,485	4,830	594	582
	33,095	31,934	11,146	10,829

The estimated monetary value of Directors' benefit-in-kind of the Group/Company is RM160,000 (2018: RM158,000).

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.

35. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively. There is no significant financial impact on the adoption of MFRS 9 except for financial assets that were previously classified as loans and receivables are now classified as amortised cost and financial assets that were previously classified as available for sales are now classified as equity investments measured at fair value through other comprehensive income.

35.1 Impacts on financial statements

The following tables summarise the impacts arising from the adoption of MFRS 15 and the change in accounting policy on the Group's and the Company's financial statements.

a. Statements of financial position

Group **1 August 2017**	**As previously reported RM'000**	**MFRS 15 adjustments RM'000**	**As restated RM'000**
Assets			
Property, plant and equipment	841,043	--	841,043
Prepaid lease payments	98,359	--	98,359
Investment properties	4,900	--	4,900
Investments in associates	76,885	--	76,885
Other investments	40,268	--	40,268
Prepayments	7,263	--	7,263
Deferred tax assets	3,883	--	3,883
Total non-current assets	1,072,601	--	1,072,601
Inventories	479,814	(116,844)	362,970
Contract assets	--	133,154	133,154
Trade and other receivables	996,017	3,968	999,985
Current tax assets	1,302	--	1,302
Cash and cash equivalents	344,919	--	344,919
Total current assets	1,822,052	20,278	1,842,330
Total assets	2,894,653	20,278	2,914,931
Equity			
Share capital	369,109	--	369,109
Reserves	688,437	13,364	701,801
Equity attributable to owners of the Company	1,057,546	13,364	1,070,910
Non-controlling interests	220,410	3,236	223,646
Total equity	1,277,956	16,600	1,294,556

35. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

35.1 Impacts on financial statements (Cont'd)

a. Statements of financial position (Cont'd)

Group 1 August 2017	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Liabilities			
Loans and borrowings	119,049	--	119,049
Due to Directors	4,322	--	4,322
Deferred tax liabilities	72,945	3,439	76,384
Total non-current liabilities	196,316	3,439	199,755
Loans and borrowings	587,832	--	587,832
Trade and other payables	818,842	(895)	817,947
Contract liabilities	--	1,134	1,134
Current tax liabilities	13,707	--	13,707
Total current liabilities	1,420,381	239	1,420,620
Total liabilities	1,616,697	3,678	1,620,375
Total equity and liabilities	2,894,653	20,278	2,914,931

Group 31 July 2018	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Assets			
Property, plant and equipment	873,170	--	873,170
Prepaid lease payments	77,575	--	77,575
Investment properties	4,900	--	4,900
Investments in associates	68,800	--	68,800
Other investments	148,304	--	148,304
Prepayments	10,923	--	10,923
Deferred tax assets	3,066	--	3,066
Total non-current assets	1,186,738	--	1,186,738
Inventories	539,873	(144,899)	394,974
Contract assets	--	170,762	170,762
Trade and other receivables	939,641	(4,967)	934,674
Current tax assets	1,396	--	1,396
Cash and cash equivalents	415,636	--	415,636
	1,896,546	20,896	1,917,442
Assets classified as held for sale	18,860	--	18,860
Total current assets	1,915,406	20,896	1,936,302
Total assets	3,102,144	20,896	3,123,040

35. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

35.1 Impacts on financial statements (Cont'd)

a. Statements of financial position (Cont'd)

Group 31 July 2018	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Equity			
Share capital	603,303	--	603,303
Reserves	819,881	14,406	834,287
Equity attributable to owners of the Company	1,423,184	14,406	1,437,590
Non-controlling interests	220,919	2,196	223,115
Total equity	1,644,103	16,602	1,660,705
Liabilities			
Loans and borrowings	93,758	--	93,758
Deferred tax liabilities	69,141	4,020	73,161
Total non-current liabilities	162,899	4,020	166,919
Loans and borrowings	551,690	--	551,690
Trade and other payables	729,783	(7,791)	721,992
Contract liabilities	--	8,065	8,065
Due to Directors	4,322	--	4,322
Current tax liabilities	9,347	--	9,347
Total current liabilities	1,295,142	274	1,295,416
Total liabilities	1,458,041	4,294	1,462,335
Total equity and liabilities	3,102,144	20,896	3,123,040

35. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

35.1 Impacts on financial statements (Cont'd)

a. Statements of financial position (Cont'd)

Company 1 August 2017	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Assets			
Property, plant and equipment	129,917	--	129,917
Investments in subsidiaries	310,929	--	310,929
Investments in associates	60,000	--	60,000
Other investments	4,727	--	4,727
Total non-current assets	505,573	--	505,573
Inventories	88,463	(24,477)	63,986
Contract assets	--	25,971	25,971
Trade and other receivables	197,611	--	197,611
Current tax assets	1,175	--	1,175
Dividends receivable	40,000	--	40,000
Cash and cash equivalents	23,508	--	23,508
Total current assets	350,757	1,494	352,251
Total assets	856,330	1,494	857,824
Equity			
Share capital	369,109	--	369,109
Reserves	79,870	1,135	81,005
Total equity	448,979	1,135	450,114
Liabilities			
Loans and borrowings	55,404	--	55,404
Deferred tax liabilities	9,018	359	9,377
Total non-current liabilities	64,422	359	64,781
Loans and borrowings	139,110	--	139,110
Trade and other payables	203,819	--	203,819
Total current liabilities	342,929	--	342,929
Total liabilities	407,351	359	407,710
Total equity and liabilities	856,330	1,494	857,824

35. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

35.1 Impacts on financial statements (Cont'd)

a. Statements of financial position (Cont'd)

Company 31 July 2018	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Assets			
Property, plant and equipment	197,379	--	197,379
Investments in subsidiaries	392,779	--	392,779
Investments in associates	60,000	--	60,000
Other investments	4,727	--	4,727
Total non-current assets	654,885	--	654,885
Inventories	158,224	(45,685)	112,539
Contract assets	--	48,879	48,879
Trade and other receivables	365,291	--	365,291
Current tax assets	1,396	--	1,396
Dividends receivable	30,000	--	30,000
Cash and cash equivalents	45,678	--	45,678
Total current assets	600,589	3,194	603,783
Total assets	1,255,474	3,194	1,258,668
Equity			
Share capital	603,303	--	603,303
Reserves	75,712	2,427	78,139
Total equity	679,015	2,427	681,442
Liabilities			
Loans and borrowings	49,946	--	49,946
Deferred tax liabilities	12,876	767	13,643
Total non-current liabilities	62,822	767	63,589
Loans and borrowings	203,004	--	203,004
Trade and other payables	310,633	--	310,633
Total current liabilities	513,637	--	513,637
Total liabilities	576,459	767	577,226
Total equity and liabilities	1,255,474	3,194	1,258,668

35. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

35.1 Impacts on financial statements (Cont'd)

b. Statement of profit of loss and other comprehensive income

Group For the year ended 31 July 2018	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Revenue	4,089,191	11,545	4,100,736
Cost of sales	(3,651,973)	(63,784)	(3,715,757)
Gross profit	437,218	(52,239)	384,979
Other income	37,907	--	37,907
Distribution expenses	(84,926)	52,088	(32,838)
Administrative expenses	(151,376)	--	(151,376)
Other expenses	(32,522)	--	(32,522)
Results from operating activities	206,301	(151)	206,150
Finance income	6,467	--	6,467
Finance costs	(29,766)	--	(29,766)
Net finance costs	(23,299)	--	(23,299)
Operating profit	183,002	(151)	182,851
Share of loss of equity accounted associates, net of tax	(6,635)	--	(6,635)
Profit before tax	176,367	(151)	176,216
Tax expense	(38,133)	(581)	(38,714)
Profit for the year	138,234	(732)	137,502
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss			
Net change in fair value of equity investments designated at fair value through other comprehensive income	85,752	--	85,752
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(47,287)	734	(46,553)
Remeasurement of actuarial gain	286	--	286
	(47,001)	734	(46,267)
Other comprehensive income for the year	38,751	734	39,485
Total comprehensive income for the year	176,985	2	176,987

35. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

35.1 Impacts on financial statements (Cont'd)

b. Statement of profit of loss and other comprehensive income (Cont'd)

Group For the year ended 31 July 2018	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Profit attributable to:			
Owners of the Company	150,766	308	151,074
Non-controlling interests	(12,532)	(1,040)	(13,572)
Profit for the year	138,234	(732)	137,502
Total comprehensive income attributable to:			
Owners of the Company	202,946	1,042	203,988
Non-controlling interests	(25,961)	(1,040)	(27,001)
Total comprehensive income for the year	176,985	2	176,987
Basic earnings per ordinary share (sen)	9.27	0.02	9.29
Diluted earnings per ordinary share (sen)	8.56	0.02	8.58

Company For the year ended 31 July 2018	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Revenue	1,533,072	22,908	1,555,980
Cost of sales	(1,433,407)	(45,915)	(1,479,322)
Gross profit	99,665	(23,007)	76,658
Other income	63,357	--	63,357
Distribution expenses	(29,588)	24,707	(4,881)
Administrative expenses	(40,983)	--	(40,983)
Other expenses	(1,607)	--	(1,607)
Results from operating activities	90,844	1,700	92,544
Finance income	1,209	--	1,209
Finance costs	(11,009)	--	(11,009)
Net finance costs	(9,800)	--	(9,800)
Profit before tax	81,044	1,700	82,744
Tax expense	(9,677)	(408)	(10,085)
Profit for the year/Total comprehensive income for the year	71,367	1,292	72,659

35. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

35.1 Impacts on financial statements (Cont'd)

c. Statement of cash flows

Group For the year ended 31 July 2018	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Cash flows from operating activities			
Profit before tax	176,367	(151)	176,216
Adjustments for:			
Amortisation of prepaid lease payments	2,323	--	2,323
Depreciation	79,328	--	79,328
Equity settled share-based transactions	6,885	--	6,885
Finance costs	27,555	--	27,555
Property, plant and equipment:			
- Loss on disposal	757	--	757
- Written off	13	--	13
Write down of obsolete and slow moving inventories	4,803	--	4,803
Impairment loss/(Reversal) on:			
- Trade receivables	(270)	--	(270)
- Property, plant and equipment	3,000	--	3,000
Finance income	(6,467)	--	(6,467)
Share of loss in associates	6,635	--	6,635
Unrealised loss on foreign exchange	1,872	--	1,872
Loss on disposal of a subsidiary	16,936	--	16,936
Operating profit before changes in working capital	319,737	(151)	319,586
Change in inventories	(84,226)	28,055	(56,171)
Change in contract assets	--	(37,608)	(37,608)
Change in contract liabilities	--	6,931	6,931
Change in trade and other receivable	30,073	8,935	39,008
Change in trade and other payables	(9,424)	(8,096)	(17,520)
Cash generated from operations	256,160	(1,934)	254,226
Interest received	6,467	--	6,467
Tax paid	(45,638)	--	(45,638)
Net cash from operating activities	216,989	(1,934)	215,055

35. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

35.1 Impacts on financial statements (Cont'd)

c. Statement of cash flows (Cont'd)

Company For the year ended 31 July 2018	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Cash flows from operating activities			
Profit before tax	81,044	1,700	82,744
Adjustments for:			
Depreciation	10,703	--	10,703
Dividend income	(1,200)	--	(1,200)
Equity settled share-based transactions	1,947	--	1,947
Finance costs	10,429	--	10,429
Gain on disposal on property, plant and equipment	(224)	--	(224)
Write down of obsolete and slow moving inventories	1,376	--	1,376
Reversal on investments in subsidiaries	(16,800)	--	(16,800)
Finance income	(1,209)	--	(1,209)
Unrealised loss on foreign exchange	1,606	--	1,606
Operating profit before changes in working capital	87,672	1,700	89,372
Change in inventories	(71,137)	21,208	(49,929)
Change in contract assets	--	(22,908)	(22,908)
Change in trade and other receivables	(157,185)	--	(157,185)
Change in trade and other payables	89,493	--	89,493
Cash used in operations	(51,157)	--	(51,157)
Interest received	1,209	--	1,209
Tax paid	(6,040)	--	(6,040)
Net cash used in operating activities	(55,988)	--	(55,988)

35.2 Accounting for revenue

The following are the changes in revenue recognition from the adoption of MFRS 15:

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Electrical and electronic components and products, plastic moulded components and parts.	The Group previously recognised revenue when the goods were delivered to the customer's premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at the point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods.	Revenue is recognised sooner under MFRS 15 because it is recognised over time.

35. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

35.2 Accounting for revenue (Cont'd)

In addition to the above, early settlement rebates payable to a customer previously treated as distribution expenses are now classified as a deduction against revenue.

Shipping costs constituted the separate performance obligation previously treated as distribution expenses are now classified as cost of sales.

35.3 Accounting for financial instruments

In the adoption of MFRS 9, cash and cash equivalents, trade and other receivables and dividend receivable that were previously classified as amortised are now classified at amortised cost.

Investments in shares are investments that the Group and the Company intend to hold for long term strategic purposes. As permitted by MFRS 9, the Group and the Company have designated these investments as measured at FVOCI at the date of initial application. The fair value losses of RM11,665,000 were reclassified from retained earnings to fair value reserve at 1 August 2017.

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 80 to 178 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 2019 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

15 November 2019

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 80 to 178 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 15 November 2019.

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 2019 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 80 to 178.

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 2019, 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.

Adoption of MFRS 15 Revenue from Contracts with Customers – Group and Company

Refer to Note 2(p)(i) - Significant accounting policies: Revenue and Note 20 Revenue.

The key audit matter

MFRS 15 *Revenue from Contracts with Customers* became effective on 1 August 2018. Arising from the adoption of MFRS 15, the Group and the Company were required to change accounting policies on revenue recognition. Consequently, new processes and controls have been implemented to cater for the new policies. Judgements were required to evaluate contracts with customers, in particular the determination of whether revenue for each contract is to be recognised over time or at a point in time and new disclosures were made in the financial statements.

The accounting policy changes arising from adoption of MFRS 15 is a key audit matter because it required us to design new audit procedures to test new processes and controls implemented by the Group and the Company and involvement of more senior personnel to assess the evaluation of the contracts with customers performed by the Group and the Company.

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

Key Audit Matters (Cont'd)

Adoption of MFRS 15 Revenue from Contracts with Customers – Group and Company (Cont'd)

How the matter was addressed in our audit

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

- We evaluated the appropriateness of the accounting policies adopted by the Group and the Company by comparing to the requirements of MFRS 15, our business understanding and industry practice.

- We evaluated the design and implementation of new controls implemented over identification of contract to ascertain that they are implemented and operated effectively.

- We gained our understanding of the transition approach and practical expedients applied.

- We assessed the appropriateness of the Group's and the Company's revenue recognition under MFRS 15 by inspecting secured sales contracts, sales orders and sales invoices and ascertained that the revenue has been recognised appropriately under MFRS 15.

- We assessed the completeness, accuracy and relevance of disclosures by comparing to the requirements of MFRS 15.

Impairment of non-financial assets in its subsidiaries namely V.S. International Group Limited and its subsidiaries (hereinafter referred to as "VSIG Group")
(i) Property, plant and equipment – Note 3 (Group)
(ii) Investment in subsidiaries – Note 7 (Company)

Refer to Note 2(l)(ii) – Significant accounting policy and Note 3 – Property, plant and equipment and Note 7 – Investment in subsidiaries

The key audit matter

VSIG Group has recorded losses for the past two financial years and the carrying amount of the net assets of the entity exceeded its market capitalisation. In view of the current uncertainties on VSIG Group's future profitability, there is an indication that the carrying amount of the property, plant and equipment and the investment in subsidiaries may be impaired.

We have identified this as a key audit matter because judgement is required in our assessment of the recoverable amount and the significance of the carrying amount of its property, plant and equipment and the investment in VSIG Group.

How the matter was addressed in our audit:

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

- We evaluated the appropriateness of the recoverable amounts determined by the Directors and the method used by the Directors.

- We evaluated the key assumptions used in determining the recoverable amount, in particular those relating to indicative selling prices by comparing to public source historical data and independent third parties' quotations.

- We determined the adequacy of the impairment loss provided by comparing the carrying amount of the non-financial assets against the recoverable value.

- We considered the adequacy of the Group's disclosures in the financial statements related to the impairment of non-financial assets.

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

Key Audit Matters (Cont'd)

Valuation of inventories - Group

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, amongst 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 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;

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

- We tested the long aged inventory for subsequent sales or usage after year end and reperformed the calculation for the allowance for obsolete and slow moving inventories.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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: 03174/04/2021 J
Chartered Accountant

Johor Bahru

15 November 2019

Location	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2019 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 (13-16 years)	67,798	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 (1 year)	20,577	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 (1 year)	38,057	5-Dec-17 (A)
Lot 45151-45170, Jalan Murni 10 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	2.83	-	Twenty (20) adjoining parcels of vacant industrial land	Freehold	7,717	8-Apr-19 (A)
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 (27 years)	25,707	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 (26 years)	6,616	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 (22 years)	3,735	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 (22 years)	5,882	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 2019 RM'000	Date of Last Revaluation (R) /Acquisition (A)
Lot 214, Jalan Seelong-Senai 81400 Senai Johor Darul Takzim	6.30	227,099	Factory/office (2-storey)	Freehold (9 years)	31,550	31-Jul-17 (R)
PTD 105622 - PLO 47 Jalan Perindustrian 1 Kawasan Perindustrian Senai II 81400 Senai Johor Darul Takzim	3.30	185,039	Factory/office (5-storey)	Leasehold for 60 years expiring on 03/10/2077 (23 years)	21,577	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 (32 years)	6,268	31-Jul-17 (R)
Lot 72061- PLO 121 Jalan Cyber 5 Kawasan Perindustrian Senai III 81400 Senai Johor Darul Takzim	1.00	27,900	Factory/office (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 15/06/2064 (19 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 (27 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 (8-23 years)	6,278	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 (3 years)	13,221	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 (1 year)	23,432	13-Sep-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 2019 RM'000	Date of Last Revaluation (R) /Acquisition (A)
652, Jalan Taman Perindustrian Senai Taman Perindustrian Senai 81400 Senai Johor Darul Takzim	0.58	8,016	Factory/office (1 1/2-storey)	Freehold (4 years)	2,265	31-Jul-17 (A)
668, Jalan Idaman 3/4, Taman Perindustrian Senai 81400 Senai Johor Darul Takzim	0.67	8,888	Factory/office (1 1/2-storey)	Freehold (6 years)	2,245	31-Jul-17 (A)
2 Venture Drive #13-08 Vision Exchange Singapore 608526	-	1,388	Office	Leasehold for 99 years expiring on 09/06/2111 (1 year)	9,168	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 (5 years)	36,006	31-Jul-17 (R)
Jl. Alam Serasi I/31 Cluster Ambrosia Lippo Cikarang Bekasi 17550 Indonesia	0.04	936	Hostel (Double storey terrace)	Leasehold for 30 years expiring on 24/09/2024 (1 year)	580	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 (18 years)	223,591	31-Jul-17 (R)

ANALYSIS OF SHAREHOLDINGS
AS AT 31 OCTOBER 2019

Issued Shares : 1,854,271,378
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	571	4.91	24,641	0.00
100-1,000	1,319	11.33	780,485	0.04
1,001-10,000	5,404	46.44	26,845,775	1.45
10,001-100,000	3,543	30.45	108,413,544	5.85
100,001-92,713,567 *	798	6.86	1,552,311,383	83.72
92,713,568 AND ABOVE **	1	0.01	165,895,550	8.94
Total	11,636	100.00	1,854,271,378	100.00

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

THIRTY LARGEST SHAREHOLDERS AS AT 31 OCTOBER 2019

No.	Name of Shareholders	Shares Held	Percentage (%)
1.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	165,895,550	8.95
2.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD VALUECAP SDN BHD	76,398,250	4.12
3.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	73,750,000	3.98
4.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	58,587,812	3.16
5.	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR GAN CHU CHENG (PB-SGDIV)	54,150,000	2.92
6.	GAN SEM YAM	40,630,312	2.19
7.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD CBHK PBGSG FOR GAN CHU CHENG	39,657,125	2.14
8.	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR BEH KIM LING	38,730,818	2.09
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)	37,850,000	2.04
10.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GAN TONG CHUAN (PB)	32,972,350	1.78

THIRTY LARGEST SHAREHOLDERS AS AT 31 OCTOBER 2019 (CONT'D)

No.	Name of Shareholders	Shares Held	Percentage (%)
11.	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR GAN SEM YAM	32,048,050	1.73
12.	UOBM NOMINEES (TEMPATAN) SDN BHD UNITED OVERSEAS BANK NOMINEES (PTE) LTD FOR GAN CHU CHENG	21,250,000	1.15
13.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)	20,892,613	1.13
14.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	20,719,898	1.12
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC)	19,726,400	1.06
16.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	19,671,550	1.06
17.	GAN TIONG SIA	18,273,037	0.99
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING (MBB HK-240577)	18,032,675	0.97
19.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	16,271,100	0.88
20.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING (MARGIN)	15,250,000	0.82
21.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	15,204,400	0.82
22.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	15,047,300	0.81
23.	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR GAN TIONG SIA (PB-SGDIV)	15,000,000	0.81
24.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	14,898,850	0.80
25.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR BEH CHERN WEI (MA CHENGWEI) (PBCL-0G0518)	14,550,000	0.78
26.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	14,314,500	0.77
27.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR BEH HWEE LEE (PB)	14,260,768	0.77
28.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	13,000,000	0.70
29.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR GAN CHU CHENG (PBCL-0G0003)	12,712,500	0.68
30.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN SEM YAM	12,500,015	0.67
	Total	**962,245,873**	**51.89**

ANALYSIS OF SHAREHOLDINGS
AS AT 31 OCTOBER 2019
(cont'd)

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 31 OCTOBER 2019

No.	Name of Substantial Shareholders	Interests in Shares Direct	Interests in Shares Deemed	Note	Percentage (%)
1.	Datuk Beh Kim Ling	145,763,493	193,375,274	(a)	18.39
2.	Datin Gan Chu Cheng	129,232,125	209,906,642	(b)	18.39
3.	Datuk Gan Sem Yam	85,178,377	23,082,812	(c)	5.87
4.	Datin Ling Sok Mooi	-	108,261,189	(d)	5.87
5.	Kumpulan Wang Persaraan (Diperbadankan)	166,095,550	27,957,725		10.52
6.	Employees Provident Fund Board	96,644,325	-		5.24

DIRECTORS' INTERESTS IN SHARES AS AT 31 OCTOBER 2019

	Name of Directors	Interests in Shares Direct	Interests in Shares Deemed	Note	Percentage (%)
A.	**In the Company**				
	Datuk Beh Kim Ling	145,763,493	193,375,274	(a)	18.39
	Datin Gan Chu Cheng	129,232,125	209,906,642	(b)	18.39
	Datuk Gan Sem Yam	85,178,377	23,082,812	(c)	5.87
	Dato' Gan Tiong Sia	33,273,037	-		1.80
	Ng Yong Kang	695,100	-		0.04
	Diong Tai Pew	100,000	-		0.01
	Tan Pui Suang	-	-		-
	Dato' Chang Lik Sean	-	550,000	(e)	0.03
	Chong Chin Siong (Alternate Director to Datin Gan Chu Cheng)	2,500,000	300,000	(f)	0.15
	Beh Chern Wei (Alternate Director to Dato' Gan Tiong Sia)	21,000,000	-		1.14
	Gan Pee Yong (Alternate Director to Ng Yong Kang)	10,582,812	-		0.57

DIRECTORS' INTERESTS IN SHARES AS AT 31 OCTOBER 2019 (CONT'D)

	Name of Directors	Interests in Shares Direct	Interests in Shares Deemed	Note	Percentage (%)
B.	**In Related Corporations**				
(i)	**V.S. Ashin Technology Sdn. Bhd.**				
	Datuk Beh Kim Ling	-	672,000	(g)	9.60
	Datin Gan Chu Cheng	672,000	-		9.60
	Datuk Gan Sem Yam	746,667	-		10.67
(ii)	**VS Marketing & Engineering Pte. Ltd.**				
	Datuk Gan Sem Yam	-	816,000	(h)	34.00
	Dato' Gan Tiong Sia	-	120,000	(i)	5.00
(iii)	**Serumi International Private Limited**				
	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	158,904,532	72,995,880	(a)	10.05
	Datin Gan Chu Cheng	30,335,880	201,564,532	(b)	10.05
	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
	Beh Chern Wei	27,000,000	-		1.17
	Tang Sim Cheow	639,130	-		0.03
	Diong Tai Pew	1,766,411	-		0.08
(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	(g)	10.00
	Datin Gan Chu Cheng	3,750,000	3,750,000	(k)	10.00
	Datuk Gan Sem Yam	3,750,000	-		5.00
	Dato' Gan Tiong Sia	3,750,000	-		5.00

DIRECTORS' INTERESTS IN SHARES AS AT 31 OCTOBER 2019 (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	(g)	*
	Datin Gan Chu Cheng	5	5	(k)	*
	Datuk Gan Sem Yam	5	-		*

Note:

(a) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng, son, Beh Chern Wei and daughters, Beh Hwee Lee and Beh Hwee Sze.
(b) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling, son, Beh Chern Wei and daughters, Beh Hwee Lee and Beh Hwee Sze.
(c) By virtue of the shareholdings of his son, Gan Pee Yong and daughters, Gan Chian Yi and Gan Chian Yin.
(d) By virtue of the shareholdings of her spouse, Datuk Gan Sem Yam, son, Gan Pee Yong and daughters, Gan Chian Yi and Gan Chian Yin.
(e) By virtue of the shareholdings of his spouse, Datin Teoh Hooi Lee.
(f) By virtue of the shareholdings of his spouse, Chai Ming Er.
(g) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng.
(h) By virtue of the shareholdings of her spouse, Datin Ling Sok Mooi, son, Gan Pee Yong, daughters, Gan Chian Yi and Gan Chian Yin and his shareholding 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 her spouse, Datuk Beh Kim Ling.

* *Negligible percentage*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Seventh Annual General Meeting ("37th 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, 3 January 2020 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 2019 together with the Directors' and Auditors' reports thereon. **(Please refer to Note No. 1)**

2. To approve the payment of a final dividend of 0.8 sen per ordinary share for the financial year ended 31 July 2019. **RESOLUTION 1**

3. To approve the payment of Directors' fees totalling RM604,267 for the financial year ended 31 July 2019. **RESOLUTION 2**

4. To approve the payment of Directors' fees up to an amount of RM684,600 for the financial year ending 31 July 2020, to be payable on quarterly basis in arrears. **RESOLUTION 3**

5. To re-elect the following Directors retiring in accordance with the Company's Constitution:

(a)	Datuk Beh Kim Ling	- Clause 103	**RESOLUTION 4**
(b)	Datin Gan Chu Cheng	- Clause 103	**RESOLUTION 5**
(c)	Tan Pui Suang	- Clause 110	**RESOLUTION 6**
(d)	Dato' Chang Lik Sean	- Clause 110	**RESOLUTION 7**

6. To re-appoint the retiring Auditors, Messrs KPMG PLT as Auditors and to authorise the Directors to fix their remuneration. **RESOLUTION 8**

SPECIAL BUSINESS

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

7. **ORDINARY RESOLUTION**
Proposed Authority to Issue Shares Pursuant to Section 75 and Section 76 of the Companies Act 2016

"THAT pursuant to Section 75 and Section 76 of the Companies Act 2016 and subject to the approval of the relevant governmental / regulatory authorities (if any), the Directors be and are hereby authorised to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purposes and to such person or person whomsoever as the Directors may, in their absolute discretion deem fit provided that the aggregate number of shares to be allotted does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being **AND THAT** the Directors be and hereby also empowered to obtain approval for the listing of and quotation for the additional shares to be allotted on the Bursa Malaysia Securities Berhad **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by a resolution of the Company at a general meeting." **RESOLUTION 9**

8. **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 Constitution 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 Constitution and the requirements of the Bursa Securities and all other relevant governmental/regulatory authorities." **RESOLUTION 10**

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with V.S. International Group Limited, its subsidiaries and associates as set out in Section 2.3, Part B, the Circular/Statement to the Shareholders of VSI dated 29 November 2019, 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 11**

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited as set out in Section 2.3, Part B, the Circular/Statement to the Shareholders of VSI dated 29 November 2019, 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 12**

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd as set out in Section 2.3, Part B, the Circular/Statement to the Shareholders of VSI dated 29 November 2019, 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 13**

12. **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 2019, 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 14**

13. **ORDINARY RESOLUTION**
Proposed allocation of Employees' Share Option Scheme ("ESOS") to Independent Non-Executive Directors

"THAT approval be and is hereby given to the Board of Directors to offer and if such offer is accepted, to grant at any time and from time to time to each of the following Independent Non-Executive Directors of the Company of up to 500,000 new shares of the Company subject always to such terms and conditions of the existing ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS:

(a) Diong Tai Pew **RESOLUTION 15**
(b) Tan Pui Suang **RESOLUTION 16**
(c) Dato' Chang Lik Sean **RESOLUTION 17**

14. **ORDINARY RESOLUTION**
Proposed allocation of ESOS to Alternate Directors

"THAT approval be and is hereby given to the Board of Directors to offer and if such offer is accepted, to grant at any time and from time to time to each of the following Alternate Directors of the Company of up to 3,000,000 new shares of the Company subject always to such terms and conditions of the existing ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS:

(a) Beh Chern Wei being Alternate Director to Dato' Gan Tiong Sia **RESOLUTION 18**
(b) Gan Pee Yong being Alternate Director to Ng Yong Kang **RESOLUTION 19**

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

Further notice is hereby given that for the purpose of determining a member who shall be entitled to attend the 37th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 23 December 2019. Only a depositor whose name appears on the Record of Depositors as at 23 December 2019 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
CHEN YEW TING
CHIAM MEI LING
Secretaries

Johor Bahru
29 November 2019

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 must be of full age. 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 (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. 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.

iii. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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 an Exempt Authorised Nominee appoints more than one (1) proxy in respect of each omnibus account, the appointment shall be invalid unless the Exempt Authorised Nominee specifies the proportion of its shareholding to be represented by each proxy.

iv. 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.

v. All duly completed forms of proxy must be deposited at the Registered Office of the Company situated at Suite 9D, Level 9, Menara Ansar, 65, Jalan Trus, 80000 Johor Bahru, Johor Darul Takzim, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

In the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).

3. Explanatory Notes on Ordinary Business – To approve the payment of Directors' fees up to an amount of RM684,600 for the financial year ending 31 July 2020, to be payable on quarterly basis in arrears (Resolution 3)

Section 230(1) of the Companies Act 2016 provides that "fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. Pursuant thereto, shareholders' approval shall be sought at this Annual General Meeting (37th AGM) for the payment of Directors' fees to the Directors of the Company up to an amount of RM684,600 for the financial year ending 31 July 2020, to be payable on quarterly basis in arrears under Resolution 3.

Under Ordinary Resolution 3, the quantum of the Directors' fees proposed for the Directors are based on the current Directors' fees structure and assuming that all the Directors will hold office until the conclusion of the financial year ending 31 July 2020 and including fee provision for two additional Independent Non-Executive Director to be appointed during the financial year ending 31 July 2020. In the event that any Director hold office for only part of the financial year ending 31 July 2020, the Director's fee payable to him will be appropriately pro-rated.

The proposed Resolution 3, if passed, is to facilitate the payment of Directors' fees as and when incurred. The Board opined that it is just and equitable for the Directors to be paid such payment on such basis upon them discharging their responsibilities and rendering their services to the Company.

4. Explanatory Notes on Special Business

i. Proposed Authority to Issue Shares Pursuant to Section 75 and Section 76 of the Companies Act 2016 (Resolution 9)

The proposed Resolution No. 9, 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 number of 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. 9 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 10)

The proposed Resolution No. 10, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the total number of 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 2019 which was circulated together with the Company's 2019 Annual Report.

iii. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") (Resolution 11, Resolution 12, Resolution 13 and Resolution 14)

The proposed Resolutions No. 11 to 14, if passed, will authorise the Company and/or its subsidiaries to enter into RRPTs with the respective related parties as set out in Section 2.3, Part B, the Circular/Statement to the Shareholders of VSI dated 29 November 2019. 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 2019 which was circulated together with the Company's 2019 Annual Report.

iv. **Proposed allocation of ESOS to Independent Non-Executive Directors (Resolution 15, Resolution 16 and Resolution 17) and Proposed allocation of ESOS to Alternate Directors (Resolution 18 and Resolution 19)**

The Company wishes to highlight the proposed allocations of ESOS are to the existing newly appointed Independent Non-Executive Directors and Alternate Directors during the year 2018 and 2019 (hereinafter refer to "eligible persons"). The Alternate Director, Beh Chern Wei is the son of the Company Directors, namely Datuk Beh Kim Ling and Datin Gan Chu Cheng whereas Gan Pee Yong is the son of the Company Director, Datuk Gan Sem Yam.

The proposed allocation of ESOS will provide the eligible persons with an opportunity to have equity participation in the Company and help achieve the positive objectives as set out below:-

- To recognise the contribution of the eligible persons whose services are valued and considered vital to the operations and continued growth of the Group;
- To motivate the eligible persons towards improved performance through greater productivity and loyalty;
- To inculcate a greater sense of belonging and dedication as the eligible persons are given the opportunity to participate directly in the equity of the Company;
- To retain the eligible persons, hence ensuring that the loss of talent is kept to a minimum level; and
- To reward the eligible persons by allowing them to participate in the Group's profitability and eventually realise any capital gains arising from potential appreciation in the value of the Company's shares.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders at the 37th AGM, a final dividend of 0.8 sen per ordinary share for the financial year ended 31 July 2019, will be paid on 24 January 2020 to those registered in the Record of Depositors at the close of business on 17 January 2020.

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 17 January 2020 in respect of ordinary transfers; and

b. Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representatives for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF
THIRTY SEVENTH 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)	Datuk Beh Kim Ling	- Clause 103	**RESOLUTION 4**
(b)	Datin Gan Chu Cheng	- Clause 103	**RESOLUTION 5**
(c)	Tan Pui Suang	- Clause 110	**RESOLUTION 6**
(d)	Dato' Chang Lik Sean	- Clause 110	**RESOLUTION 7**

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 15 to page 16 and page 190 to 192 of the 2019 Annual Report respectively.

FORM OF PROXY

V.S. INDUSTRY BERHAD
Registration No. 198201008437 (88160-P)
(Incorporated in Malaysia)

No. of Shares held	CDS Account No

*I/We ....

*NRIC No./Passport No./Company No. .... of ....

and telephone no./email address .... being

a *member/members of **V.S. Industry Berhad** (the "Company"), hereby appoint:

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

*and/or

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

or failing *him/her, THE CHAIRMAN OF THE MEETING as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Thirty Seventh 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, 3 January 2020 at 10.30 a.m. or at any adjournment thereof.

Please indicate with an "X" in the appropriate space(s) provided below on how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

NO.	ORDINARY RESOLUTIONS:	FOR	AGAINST
1	Approval of a final dividend of 0.8 sen per ordinary share for the financial year ended 31 July 2019		
2	Approval of Directors' fees for the year ended 31 July 2019		
3	Approval of Directors' fee for the financial year ending 31 July 2020, to be payable on quarterly basis in arrears		
4	Re-election of retiring Director, Datuk Beh Kim Ling		
5	Re-election of retiring Director, Datin Gan Chu Cheng		
6	Re-election of retiring Director, Tan Pui Suang		
7	Re-election of retiring Director, Dato' Chang Lik Sean		
8	Re-appointment of Messrs KPMG PLT as Auditors and authorise the Directors to fix their remuneration		
9	Authorise Directors to issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016		
10	Renewal of Shareholders' Approval for Share Buy-Back		
11	Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates		
12	Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited		
13	Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd		
14	Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd.		
15	Proposed allocation of ESOS Options to Diong Tai Pew		
16	Proposed allocation of ESOS Options to Tan Pui Suang		
17	Proposed allocation of ESOS Options to Dato' Chang Lik Sean		
18	Proposed allocation of ESOS Options to Beh Chern Wei		
19	Proposed allocation of ESOS Options to Gan Pee Yong		

Signed this ____________ day of ________________ 2019/2020

____
Signature of Member/Common Seal

*Strike out whichever is not desired.
[Unless otherwise instructed, the proxy may vote as he/she thinks fit.]

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 must be of full age. 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 (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. 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.

iii. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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 an Exempt Authorised Nominee appoints more than one (1) proxy in respect of each omnibus account, the appointment shall be invalid unless the Exempt Authorised Nominee specifies the proportion of its shareholding to be represented by each proxy.

iv. 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.

v. All duly completed forms of proxy must be deposited at the Registered Office of the Company situated at Suite 9D, Level 9, Menara Ansar, 65, Jalan Trus, 80000 Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
In the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).

vi. Only members registered in the Record of Depositors as at 23 December 2019 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 37th Annual General Meeting dated 29 November 2019.

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP
HERE

The Company Secretary
V.S. INDUSTRY BERHAD
(Registration No. 198201008437 (88160-P))

Suite 9D, Level 9
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor, 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 9D, Level 9, 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.
Registered Office
Unit 901, Level 9, City Plaza
21, Jalan Tebrau
80300 Johor Bahru
Johor Darul Takzim
Tel No : 607-333 1898
Fax No : 607-333 0899

INDONESIA

PT. V.S. Technology Indonesia
Jl. Cendana Raya
Blok F.10 No. 06B
Kawasan Industri Delta Silicon III
Lippo Cikarang Bekasi
17550 Indonesia
Tel No : 62-212 9288 998
Fax No : 62-212 9617 877

SINGAPORE

VS Marketing & Engineering Pte. Ltd.
Serumi International Private Limited
Registered Office
1003, Bukit Merah Central
#06-13 Redhill Industrial Estate
Singapore 159826

VS International Venture Pte. Ltd.
Guardian South East Asia Pte. Ltd.
Vision Exchange
2 Venture Drive
#13-08
Singapore 608526

HONG KONG

V.S. International Group Limited
Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business
40th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

V.S. INDUSTRY BERHAD
(Registration No.198201008437 (88160-P))

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