V.S. Industry™

Passion to grow your business™

V.S. INDUSTRY BERHAD

(Registration No.198201008437 (88160-P))

ADVERSITY IS OPPORTUNITY IN DISGUISE

Annual Report **2020**

COVER RATIONALE

ADVERSITY IS OPPORTUNITY IN DISGUISE

The operating business landscape has undeniably been demanding in FY2020 for V.S. Industry Berhad, on the back of unprecedented challenges brought upon by the pandemic outbreak. Nonetheless, V.S. Industry Berhad recognises that opportunities lie in adversity and continued to remain resilient despite economic uncertainties.

Looking ahead, our endeavours remain on serving our customers, improving efficiencies and unlocking opportunities for growth. This focus has inspired our adaptive nature and continues to guide us as we navigate today's challenges to bring the Group to greater heights.

CONTENTS

CORPORATE PROFILE

V.S. Industry Berhad (VS) was founded in 1982 and listed on the Main Market of Bursa Malaysia Securities Berhad in 1998. Today, VS is a leading integrated Electronics Manufacturing Services (EMS) provider in the region, with proven capabilities to undertake the manufacturing needs of global brand names for office and household electrical and electronic products.

In fact, VS is now ranked alongside top global EMS providers – making the list into the world's top 50 EMS providers for 13 consecutive years from 2007 to 2019.

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 8,000 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.

VISION & MISSION

We will remain relevant to our customers. We will continue putting in our best efforts to be our customer's partner be it developing and designing new products, or ramping up production to enable them to expand their market share and/or penetrate into new markets.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Beh Kim Ling
Executive Chairman

Datuk Gan Sem Yam
Managing Director

Dato' Gan Tiong Sia
Executive Director

Ng Yong Kang
Executive Director

Beh Chern Wei
Executive Director

Gan Pee Yong
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 Beh Chern Wei

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

Leong Siew Foong
Santhi A/P Saminathan
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

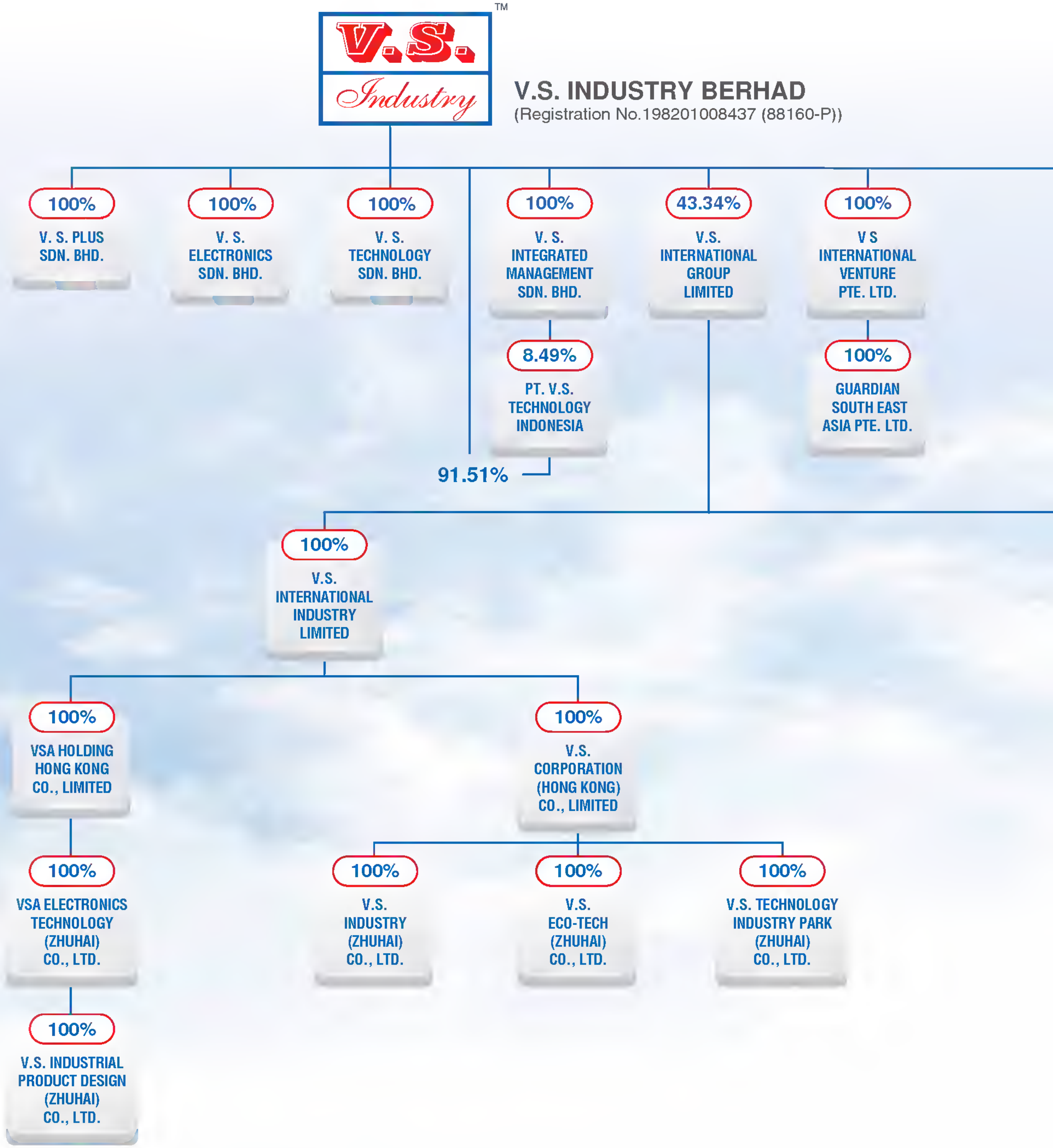
STOCK EXCHANGE LISTING

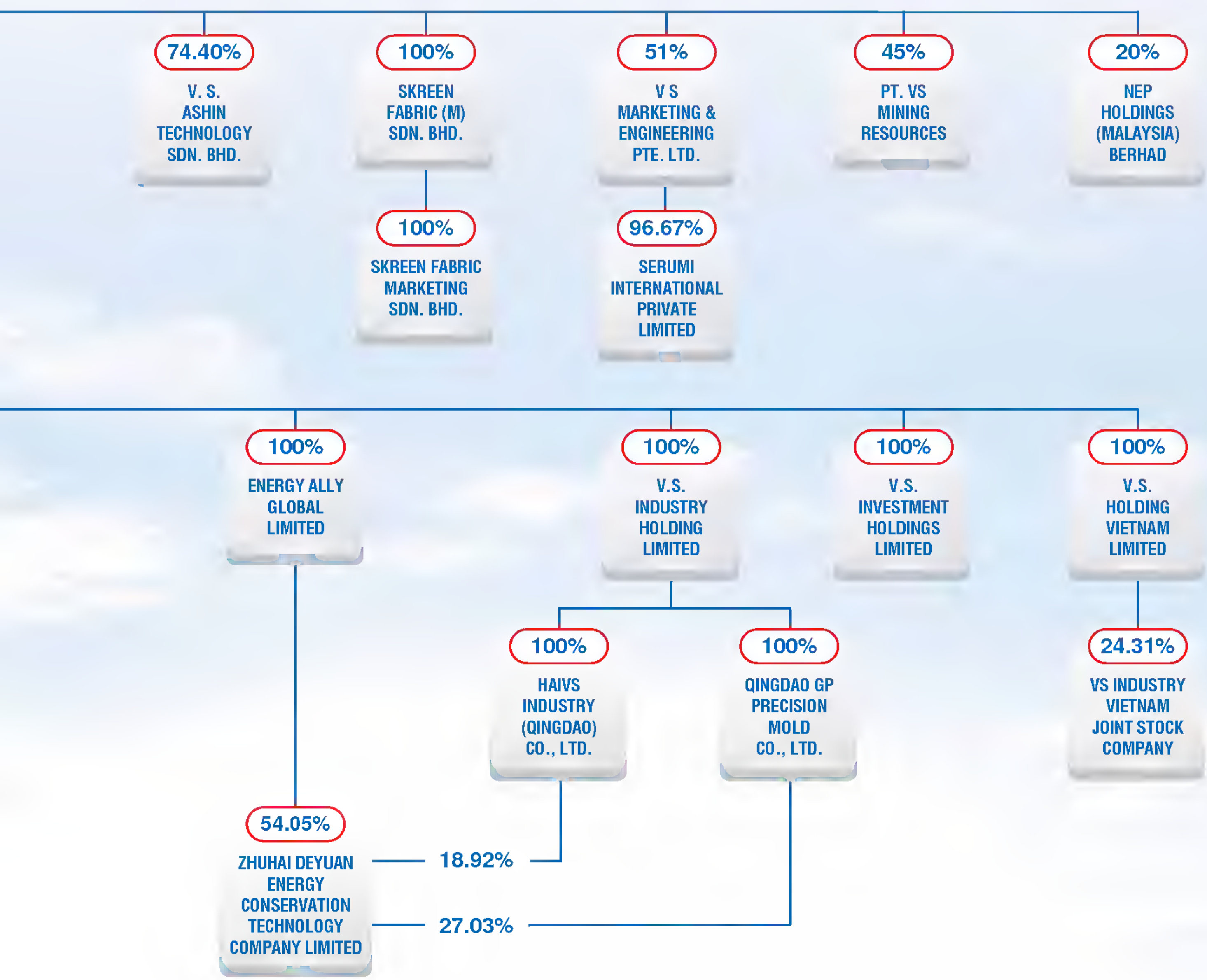
Main Market,
Bursa Malaysia Securities Berhad
Bursa Code: 6963
Reuters Code: VSID.KL
Bloomberg Code: VSI MK

ONLINE LINKS

Corporate Website:
www.vs-i.com

CORPORATE STRUCTURE




74.40%
V. S. ASHIN TECHNOLOGY SDN. BHD.
100%
SKREEN FABRIC (M) SDN. BHD.
100%
SKREEN FABRIC MARKETING SDN. BHD.
51%
V S MARKETING & ENGINEERING PTE. LTD.
96.67%
SERUMI INTERNATIONAL PRIVATE LIMITED
45%
PT. VS MINING RESOURCES
20%
NEP HOLDINGS (MALAYSIA) BERHAD
100%
ENERGY ALLY GLOBAL LIMITED
54.05%
ZHUHAI DEYUAN ENERGY CONSERVATION TECHNOLOGY COMPANY LIMITED
18.92%
27.03%
100%
V.S. INDUSTRY HOLDING LIMITED
100%
HAIVS INDUSTRY (QINGDAO) CO., LTD.
100%
QINGDAO GP PRECISION MOLD CO., LTD.
100%
V.S. INVESTMENT HOLDINGS LIMITED
100%
V.S. HOLDING VIETNAM LIMITED
24.31%
VS INDUSTRY VIETNAM JOINT STOCK COMPANY

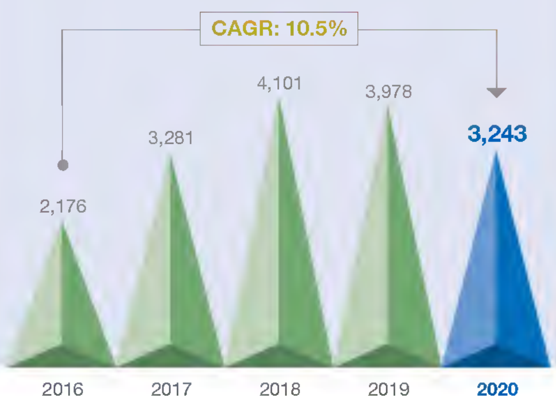
FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

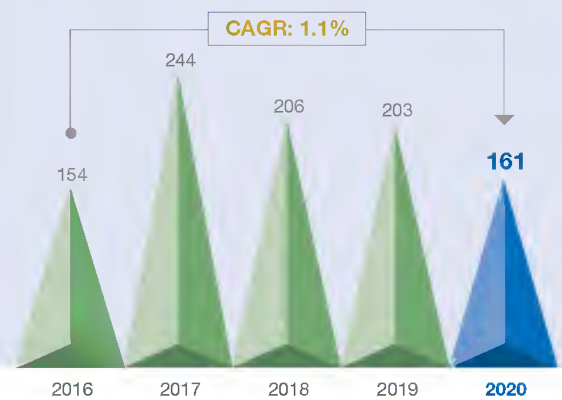
For the Financial Year Ended 31 July (RM '000)	2020	2019	2018	2017	2016
Revenue	3,243,192	3,978,350	4,100,736	3,281,350	2,175,626
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	253,152	302,252	287,801	322,047	226,384
Earnings before Interest and Tax ("EBIT")	161,337	203,069	206,150	243,996	154,338
Share of Results of Associates	2,264	(2,181)	(6,635)	(235)	1,620
Profit before Tax ("PBT")	153,362	181,856	176,216	223,673	141,866
Net Profit after Minority Interest	116,478	165,394	151,074	156,319	117,928
Total Dividends Paid	48,616*	80,226	69,382	71,639	54,876
AS AT 31 JULY (RM '000)					
Shareholders' Funds	1,709,016	1,606,466	1,437,590	1,070,910	879,903
Share Capital	782,947	753,077	603,303	369,109	235,169
Reserves (Net of Treasury Shares at Cost)	926,069	853,389	834,287	701,801	644,734
Total Assets	2,833,259	3,037,600	3,123,040	2,914,931	1,984,443
Net Current Assets	887,339	803,704	640,886	421,710	336,212
Total Borrowings	252,024	428,441	645,448	706,881	415,043
Cash and Cash Equivalents	404,512	379,457	415,636	344,919	218,401
PER SHARE					
Basic Earnings per Share (sen)	6.3	9.3	9.3	10.3	8.2
Total Tax-Exempt Dividend per Share (sen)	2.6*	4.4	4.1	4.7	3.8
Net Tangible Assets per Share (RM)	0.92	0.88	0.85	0.7	0.6
RETURNS (%)					
Return on Average Shareholders' Equity (%)	7.0	10.9	12.0	16.1	14.2
Return on Average Total Assets (%)	4.0	5.4	5.0	6.4	6.1
FINANCIAL ANALYSIS					
Gross Margin (%)	9.9	9.3	9.4	14.0	15.5
Operating Margin (%)	5.0	5.1	5.0	7.4	7.1
PBT Margin (%)	4.7	4.6	4.3	6.8	6.5
Net Margin (%)	3.6	4.2	3.7	4.8	5.4
Gearing (Net of Cash) (times)	Net Cash	0.0	0.2	0.3	0.2
Interest Coverage (times)	15.8	10.7	8.8	12.1	11.0
Dividend Payout Ratio (%)	41.7	48.5	45.9	45.5	46.5

* *inclusive of proposed final dividend of 0.8 sen per share for shareholders' approval*

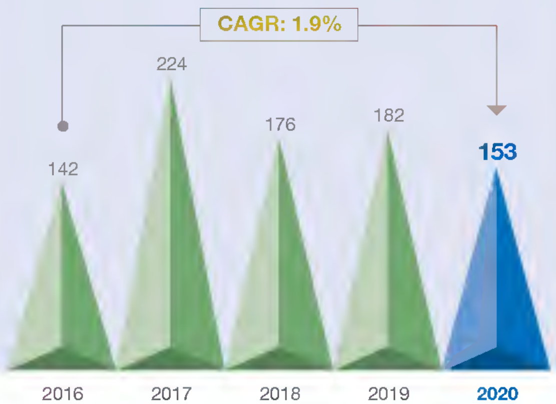
REVENUE
(RM'million)



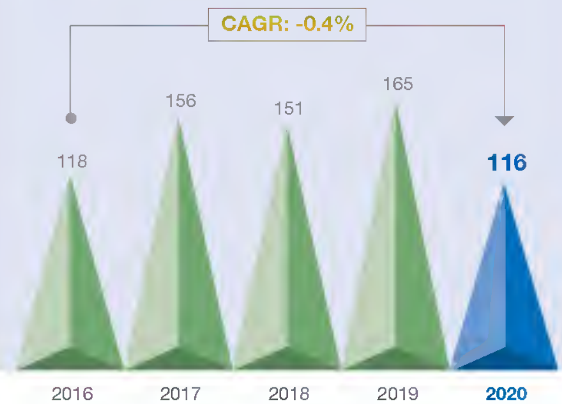
EARNINGS BEFORE INTEREST AND TAX
(RM'million)



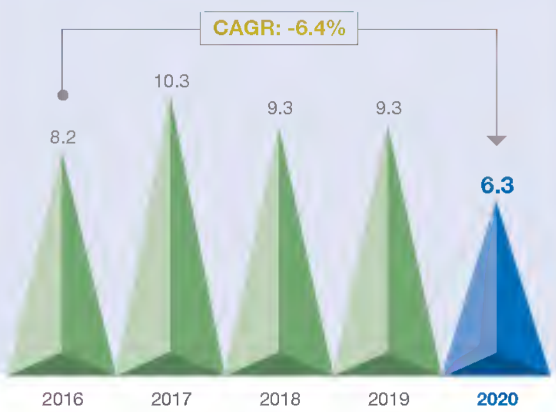
PROFIT BEFORE TAX
(RM'million)



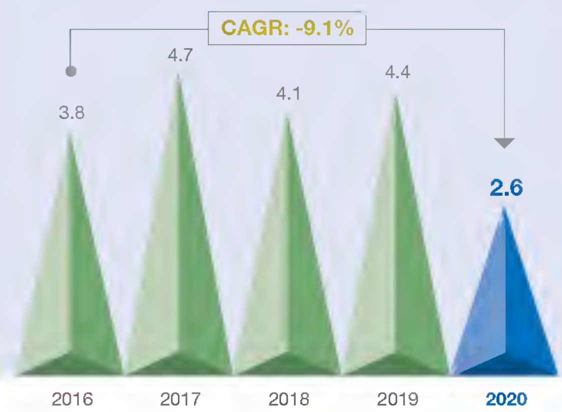
NET PROFIT
(RM'million)



BASIC EARNINGS PER SHARE
(Sen)



TAX-EXEMPT DIVIDEND PER SHARE
(Sen)



CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors of V.S. Industry Berhad ("VS" or the "Group"), I am pleased to present to you the Annual Report of VS for the financial year ended 31 July 2020 ("FY2020").

FY2020 was indeed an arduous year for the Group as we navigated through unprecedented market challenges stemming from the Coronavirus disease 2019 ("Covid-19") as well as on-going geopolitical tensions caused by the trade dispute between the United States ("US") and China.

We managed to weather through the demanding environment owing to our strong technical expertise, proven capabilities and track record, as well as our robust balance sheet. Against the backdrop of a taxing business operating conditions, we are pleased to have delivered a satisfactory set of results in FY2020. Revenue and profit attributable to the owners of the Group ("net profit") stood at RM3.24 billion and RM116.5 million respectively for the financial year under review.

INDUSTRY AND BUSINESS OVERVIEW

Volatility in the global economy remains elevated from the ongoing geopolitical issues. This was further exacerbated by the Covid-19 pandemic and the resultant lockdown or movement control restrictions imposed in various countries. The heightened uncertainties inevitably caused adverse spill-over effect in the global economy, including commodity and financial markets. These prevailing circumstances have, in turn, resulted in serious challenges to the business environment and dampened consumer sentiments.

In 2019, global growth moderated to 2.9% from 3.6% a year ago according to the International Monetary Fund ("IMF"). This was attributed to declines in global demand, international trade, and global inflation level.

Locally, Gross Domestic Product ("GDP") grew 4.3% in 2019 underpinned by domestic demand according to the Department of Statistics Malaysia ("DOSM"). This was slightly lower than the 4.7% GDP growth achieved in 2018 and the lowest level since the Global Financial Crisis in 2009.

As for the half of 2020, DOSM data indicated that Malaysia's economy growth fell sharply to 0.7% in the first quarter, before contracting 17.1% in the second quarter. This was chiefly due to the Covid-19 pandemic and the movement control order ("MCO") implemented by the Government. For 2020, Bank Negara Malaysia ("BNM") is forecasting our GDP to shrink between 3.5% and 5.5%, before rebounding 6.5% to 7.5% in 2021.

On 11 March 2020, the World Health Organisation ("WHO") declared the Covid-19 outbreak as a pandemic due to the significant rise in cases around the globe. Domestically, our Government had imposed MCO from 18 March 2020 in its bid to control the infection rate. As a result, the Group's operations in Malaysia were temporarily halted in adherence to the restrictions imposed. Prior to that, our plants in China, too, stopped for a short while in February 2020 due to the lockdown measures taken by the Chinese authorities.

Operations in both China and Malaysia have subsequently resumed after obtaining approvals from the respective authorities, where we adhered to the strict standard operating procedures ("SOPs") imposed. We are delighted that our production in Malaysia picked up quickly within a short period of time and is currently operating at full capacity.

Meanwhile, on the business development front, the Group's special business development taskforce remained unperturbed in the quest to capitalize opportunities presented by the US-China trade war despite the pandemic. Persistent efforts continued in the discussion and negotiation with overseas prospects albeit hampered by the travel restrictions put in place.

The team made major breakthroughs by successfully securing two new key customers from the US in August and October 2020 respectively, both of which were a result of the trade diversion. One of them is Minnesota-based Victory Innovations Company Inc. ("Victory"), which we clinched in August 2020. This is a testament to our strong technical capabilities and proven track record.

PROSPECTS FOR FY2021

We expect the operating environment to remain challenging due to the uncertainties stemming from the Covid-19 pandemic. However, we anticipate the situation to improve in the coming year, supported by the expected recovery in global and local economies.

With the encouraging order flow from existing customers, coupled with the orders from new customers, we project our existing capacity to be fully filled by 2021. Therefore, we have acquired additional land measuring approximately 9.5 acres with industrial buildings in October 2020 to expand our capacity to cater to our new customers.

Looking ahead, we opine that our financial performance for FY2021 will be better than FY2020, buoyed by the recovery of global and local markets as well as abovementioned positive developments for the Group.

On balance, we remain optimistic on the Group's long-term prospects under the stewardship of the experienced Board and management team. We are now focusing on the execution of the sales orders on hand to continue delivering exceptional value to our customers, while enhancing our shareholders' value at the same time.

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt gratitude to our management and staff at VS for sticking with us through thick and thin, showing their unwavering commitment, relentless efforts, and immense contribution to the Group.

I would also like to express my utmost appreciation to all other stakeholders including our valued shareholders and customers, business partners, bankers, and suppliers for their continued support and confidence in us.

Next, I am pleased to welcome Mr. Beh Chern Wei and Mr. Gan Pee Yong as the Group's new Executive Directors. Both of them had previously held the role of Alternate Directors. I am confident that they will continue to contribute positively and constructively to VS.

On a sombre note, Datin Gan Chu Cheng, our Executive Director and my wife has sadly passed away in March 2020. She established VS together with me in 1982 and was instrumental in the Group's journey in becoming one of the top EMS providers in the world. While we will dearly miss her physical presence in the Group, the vision and values she left behind will forever be ingrained in our hearts.

Lastly, I wish to thank my fellow Board members for their insightful guidance, wise counsel, and service to the Board. I have good faith that the leadership of our Board will drive us through the challenges ahead and propel VS to greater heights.

DATUK BEH KIM LING
Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

It was a strenuous year for us at VS as we manoeuvred through an exacting business environment in FY2020. The global economy was overwhelmed with uncertainties arising from factors such as the Covid-19 pandemic, the US-China trade dispute, and the withdrawal of the United Kingdom ("UK") from the European Union ("EU") (also known as the "Brexit") to name a few.

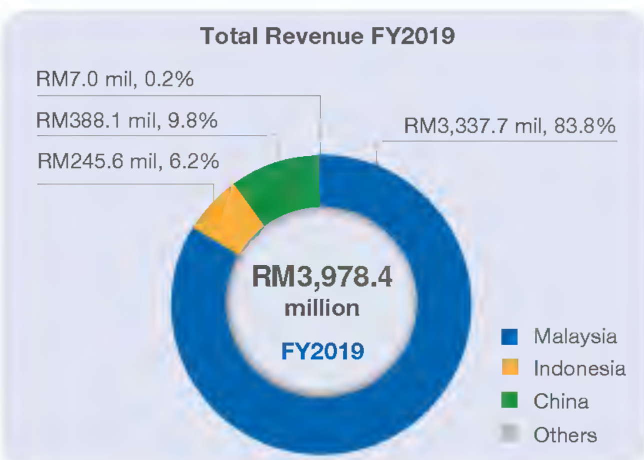
Given the circumstances, we have done reasonably well this year. It is the Group's objective to consistently deliver value to our stakeholders, just as we have done so for the past 30 years. FY2020 was no different where we achieved a set of satisfactory results with turnover and net profit at RM3.24 billion and RM116.4 million respectively.

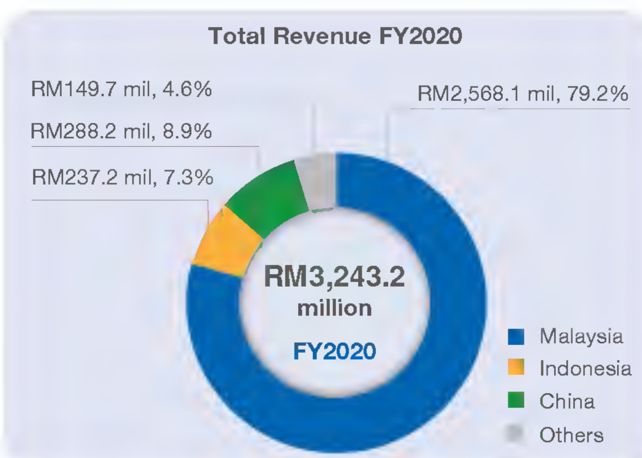
VS currently ranks 23rd in the Top 50 electronics manufacturing services ("EMS") companies in the world according to the latest publication of Manufacturing Marketing Insider. The Group has been listed as one of the top 50 EMS providers in the world every year since 2007, making this the thirteenth consecutive year. We are also the 5th largest EMS player in the ASEAN region and the largest homegrown EMS organization in our home turf, Malaysia.

ACHIEVEMENT HIGHLIGHTS	
Achieved revenue & net profit of RM3.24 billion and RM116.4 million respectively.	Retained the position as the largest homegrown EMS player in Malaysia.
High cash & cash equivalent of RM404.5 million.	Ranked 5th in Manufacturing Marketing Insider's 2019 Top 50 EMS providers in ASEAN.
Strong net operating cash flow generation of RM322.7 million.	Ranked 23rd in Manufacturing Marketing Insider's 2019 top 50 EMS in the World.

FINANCIAL PERFORMANCE REVIEW

The Group registered a revenue of RM3.24 billion in FY2020, which was a decline of 18.5% year-on-year ("YoY"). This was primarily attributed to the imposition of the Movement Control Order ("MCO") in Malaysia which resulted in the temporary stoppage in our production, as well as lower order volume from one of our key customers.

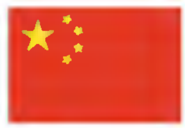




In terms of revenue contribution by geographical markets, Malaysia remained the main contributor, having accounted for 79% or RM2.57 billion of the total turnover in FY2020. This 23.1% YoY decline from RM3.34 billion a year ago was due to the temporary halt in our production facilities as well as softer orders from a key customer. This consequently translated into a lower profit before tax ("PBT") for the segment. Our local operations posted a PBT of RM187.1 million in FY2020 versus RM267.8 million in FY2019.

Over in China, revenue dropped 25.7% YoY to RM288.2 million for the financial year under review as a result of lower sales volume. Despite that, we managed to substantially narrow down the loss before tax ("LBT") from RM83.0 million in FY2019 to RM23.9 million in FY2020. The improvement was chiefly a result of the restructuring and streamlining of operations along with the adoption of an asset-light model with a lower gearing structure.

China segment LBT
narrowed down
significantly by



RM59.1 million

Meanwhile, revenue from Indonesia experienced a minor dip of 3.4% YoY to RM237.2 million. The decline was caused by under-utilization of production capacity given the lower orders received. Additionally, we experienced impairment loss on receivables and inventories written off following the business cessation of one of our customers. All these factors caused our Indonesia segment to slip into the red in FY2020. LBT for the financial year under review stood at RM11.4 million.

Looking at the Group as a whole, we recorded a profit after tax and non-controlling interest ("PATNCI" or "net profit") of RM116.4 million in FY2020 versus RM165.4 million a year ago, representing a larger-than-proportionate 29.6% YoY drop in earnings when compared to total turnover, as fixed operating costs and financing costs continued to incur despite the temporary halt in operations during MCO.

CAPITAL STRUCTURE AND RESOURCES

VS' equity attributable to owners of the company stood at RM1.71 billion as at 31 July 2020, which was a 6.2% YoY increase from RM1.61 billion a year ago.

On the other hand, total assets decreased by 6.7% YoY to RM2.83 billion in FY2020, mainly owing to lower trade and other receivables, as well as lower inventories that were in line with the decline in top-line.

Our cash and cash equivalent stood at RM404.5 million as at 31 July 2020. We pared down our total borrowings substantially to RM252.0 million from RM428.4 million in FY2019. With that, the Group is in a healthy net cash position with net cash per share at 8.2 sen.

Substantially pared down
total borrowings by

RM176.4 million

Our solid balance sheet with large cash holdings enabled us to weather through the taxing environment and at the same time allowed us to continue to expand our capacity.

The Group incurred capital expenditure ("CAPEX") of approximately RM93.3 million in FY2020, spending mainly on properties and machineries. These investments were funded through a combination of internally generated funds and bank borrowings.

Concurrently, VS continued to record strong net cash flow from operating activities ("NOCF"), of RM322.7 million in the financial year under review, which was much higher than the RM224.4 million generated in FY2019.

BUSINESS AND OPERATIONAL REVIEW

VS had a good start into the financial year but the progress was unfortunately disrupted by the Covid-19 pandemic half-way through the midpoint. The outbreak had severely affected trade activities and movement of people worldwide. As a result, it further dampened the local and global economies which were already reeling from the US-China trade dispute.

Our Malaysia operations were halted from 18 March 2020 in adherence to the MCO imposed by the Government as we play our part to flatten the curve. Operations resumed subsequently after obtaining regulatory approvals during the later part of April 2020 under the conditional MCO. We were able to ramp up production back to our normal level within a short time while adhering to the strict Standard Operating Procedure ("SOP") in place, and we are currently running at full capacity.

During the year under review, our special business development taskforce remained focused on capitalizing on the opportunities arising from the US-China trade dispute. Malaysia continued to be one of the preferred locations for the US multinational corporations ("MNCs") which are looking to shift or diversify their manufacturing bases to Southeast Asia. Discussions with prospective customers persisted albeit at a slower pace owing to the Covid-19 pandemic and the resultant international travel restrictions imposed. In fact, credit goes to the team for successfully securing new customers from the US in spite of the challenges and restrictions faced.

Over in China, our operations in Zhuhai were initially scheduled to take a short break for the Chinese New Year holiday (from 25 January 2020 to 30 January 2020). However, we only resumed operations on 17 February 2020 as the Chinese Government implemented lockdown measures to contain the spread of the Covid-19 virus. Operations have since normalized. Nonetheless, underutilization of capacity continues to be an issue for our operations in China due to the absence of sizeable orders from customers. The operating environment remained highly challenging on the back of rising costs and keen competition.

The US-China trade war, while proving to be beneficial to Malaysia, has greatly affected business sentiments in China, adversely impacting our operations there as local customers withheld orders due to the economic uncertainties. We were cognizant of the challenges and took proactive measures. We streamlined our operations and strengthened our financial position via an asset-light model with a lower-gearing structure and better liquidity. These countermeasures yielded meaningful results in FY2020 as we managed to significantly lower the losses incurred, improved our operational flexibility, and strengthened our financial position.

Meanwhile, our operations in Indonesia did not experience any major disruptions from the Covid-19 pandemic. Business-wise, we faced some minor setbacks as one of our key customers filed for bankruptcy. Nevertheless, we continued to concentrate on improving the production efficiency to keep costs in check. On a brighter note, we have secured new orders for printed circuit board assembly ("PCBA") and sub-assembly works from our existing clientele in the country.

Elsewhere, Australia-based, London-listed technology company, Seeing Machines Limited ("SML"), in which VS is one of the largest shareholders with a 9.79%-stake, made positive progress in FY2020. SML was selected by the UK's largest coach operator, National Express, to provide and equip its fleet with SML's artificial intelligence ("AI")-powered driver monitoring system, known as Guardian. SML is the leading provider of AI-enabled driver monitoring technology for improved transport safety.

OUTLOOK AND PROSPECTS

The Group anticipates the business operating conditions moving forward to remain challenging with the persistence of uncertainties clouding the global and local markets. Nevertheless, there have been several bright spots along with pocket of opportunities that we have managed to capitalize on, which will augur well for the Group going forward. This is evident in our financial performance where our results recovered strongly in the fourth quarter after experiencing setbacks arising from MCO in the preceding quarter. We believe we can keep the momentum up and stage a robust rebound in FY2021, underpinned by the positive factors mentioned below.

Subsequent to the end of FY2020, several exciting developments took place. As stated earlier, we are delighted to share that our special business development taskforce has secured two new key customers from the US in August and October 2020 respectively. The Group continued to be a beneficiary of the trade diversion. The addition of the new key customers is yet another testament to the Group's capabilities and track record.

One of the two new customers is Victory Innovations Company Inc. ("Victory"). We entered into a Master Supply Agreement with Victory on 17 August 2020 where VS shall manufacture cordless electrostatic handheld and backpack sprayers on a box-build assembly basis, that is, provision of end-to-end processes from production to assembly, testing, packaging, labelling, and logistics fulfilment.

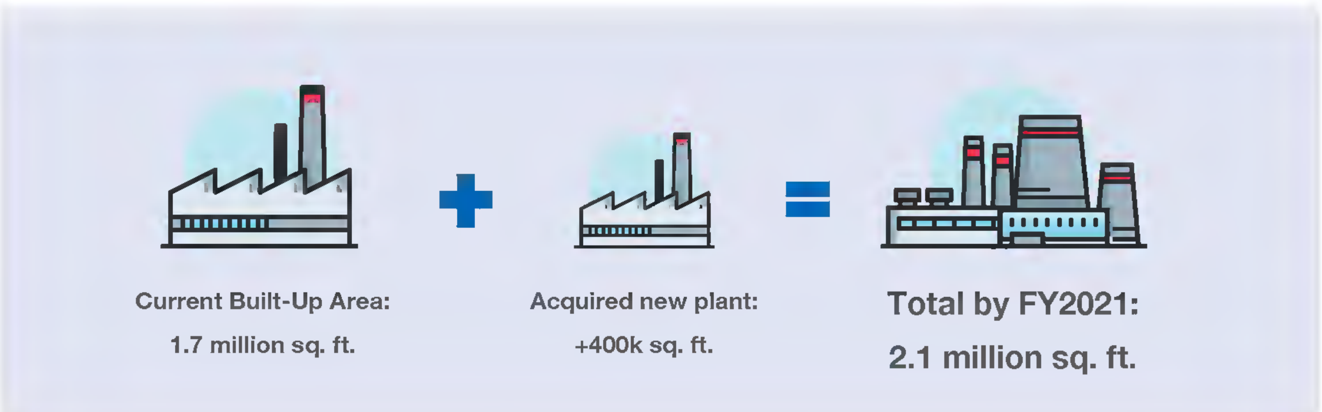
Victory is a leading innovative sanitization solutions provider specializing in chemical application equipment, serving professionals who are responsible for maintaining healthy spaces with a focus on sanitization, decontamination, pest control, and odour control. It produces the world's first Professional Cordless Electrostatic Handheld Sprayer and Professional Cordless Electrostatic Backpack Sprayer.

At the same time, we are also pleased to play a role in supporting Victory's efforts in fighting the spread of various diseases across the globe, in particular, the Covid-19 virus. It is a tremendous honour indeed to be selected as Victory's first supplier in Southeast Asia and we look forward to working closely with them to grow our business together.

On the other hand, we anticipate orders from our existing customers to remain strong. In addition to the existing models, we are manufacturing several new models that our customers will be rolling out in 2021. Against this encouraging backdrop, we expect the strong order flow to sustain in the near future.

With Victory on board and growing orders from our existing customers, we expect our current capacity to be fully filled by 2021. Therefore, we had on 14 October 2020 entered into Sale and Purchase and Construction Agreements with Ipark Development Sdn Bhd, a subsidiary of AME Elite Consortium Berhad, to acquire land measuring approximately 9.5 acres together with industrial buildings for RM98.8 million to expand our capacity.

This acquisition will boost our total built-up area in Malaysia by about 25% to more than 2.1 million sq. ft., spanning across more than 50 acres of land. This will enable us to continue to expand and grow our business. The timing of this acquisition could not be better as we have just secured another new customer from the US in the same month (October 2020) and part of the new capacity will be allocated to this new customer.



The Group will also be relocating our headquarter to the new facility, freeing up space at the existing manufacturing facilities to be converted into production area in order to cater for the rising orders from our existing customers. Furthermore, the new facility is strategically located within the proximity of existing facilities. This allows us to expand our capacity while at the same time, maintain close management control on our existing operations, therefore enhancing overall operational synergies and efficiency.

All in all, we are excited about the future of the Group. Our focus moving forward is to maintain a standard of excellence in our execution. We will continue to strive for top quality delivery on a timely basis to our customers. Given the progressive developments mentioned above, we opine that the Group's performance in the coming financial year to be better, supported by the rebound in global and local economies. Overall, the outlook for VS remains bright underpinned by our robust fundamentals, solid execution skills, and growing orders from new and existing customers. The Group continues to be highly committed to maximizing value for our customers, employees, shareholders, and other valued stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

ANTICIPATED OR KNOWN RISKS

Currency risks

The Group is exposed to risk associated with foreign exchange as we are an export-oriented manufacturer. VS 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 our exposure to other currencies is minimal. As part of our risk mitigation strategy, the Group utilises forward exchange contracts from time to time to hedge our foreign currencies exposure. Additionally, we also benefit from some natural hedge in operation as part of our purchases are denominated in USD.

Changes in regulations and policies

We have operations across three different countries – Malaysia, Indonesia, and China. Any changes in the regulations and policies of either of these countries may have an impact on our operations. The potential impact could stem from issues such as minimum wages, quota and levies on the hiring of foreign labour, foreign exchange controls, export restrictions and tariffs, just to name a few.

At VS, we constantly ensure that our operations comply with all the regulations and policies. Furthermore, we actively engage with authorities and relevant business associations, both to provide feedback and to gain insights into prospective regulations and policies changes. With adequate notice period, we would be able prepare ourselves and adjust to any amendments.

Geopolitical risks

Geopolitical tensions in the countries we operate in pose a major risk to our financial performance. Any escalation of conflicts could affect consumer and business sentiments, which could in turn affect our business.

Since the US-China trade dispute begun in 2018, numerous rounds of tariffs have been imposed on various exported products from China to the US. As a result, the trade war has further burdened our China operations and made the operating environment there exceptionally challenging.

In mitigation, we undertook a number of initiatives such as streamlining our operations in order to enhance our operational flexibility. This strengthened and stabilized the financial position of our China segment, minimizing the adverse impact on business operations.

In contrast, our business in Malaysia has benefited from the trade conflict due to the surge in opportunities as many MNC brand owners seek to relocate their manufacturing bases from China to Southeast Asia.

All in all, we are taking the current geopolitical risk in our stride as its impact on us was and is foreseeably a net positive. We will implement appropriate countermeasures in areas where we may be negatively affected.

DIVIDEND

The Board has proposed a final dividend of 0.8 sen per ordinary share for the financial year ended 31 July 2020, subject to the shareholders' approval at the forthcoming Annual General Meeting.

For the year under review, the Board had earlier declared two interim dividends totalling to 1.8 sen per ordinary share. Together with the final dividend, total dividends for FY2020 would be 2.6 sen.

The total dividends for the financial year under review represents a 41.7% payout of FY2020 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 62, 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 spouse, 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. He is also the father to Beh Chern Wei. Datuk Beh has no other conflict of interest with the Group except for those transactions as disclosed in Note 32 to the financial statements. He has not been convicted of any offences within the past five (5) years.

DATUK GAN SEM YAM
Managing Director
Age 64, 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 Dato' Gan Tiong Sia, brother-in-law to Datuk Beh Kim Ling. He is also the father to Gan Pee Yong. Datuk Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 32 to the financial statements. He has not been convicted of any offences within the past five (5) years.

DATO' GAN TIONG SIA
Executive Director
Age 60, 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 Datuk Gan Sem Yam and brother-in-law to Datuk Beh Kim Ling. Dato' Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 32 to the financial statements. He has not been convicted of any offences within the past five (5) years.

NG YONG KANG
Executive Director
Age 59, 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.

BEH CHERN WEI
Executive Director
Age 35, Male, Malaysian

Beh Chern Wei was appointed to the Board on 2 April 2018 as an Alternate Director and was re-appointed as an Executive Director on 1 July 2020. 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.

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

GAN PEE YONG
Executive Director
Age 35, Male, Malaysian

Gan Pee Yong was appointed to the Board on 2 April 2018 as an Alternate Director and was re-appointed as an Executive Director on 1 July 2020. 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.

Mr. Gan joined the Group as Program Manager, upon completing his studies. He has 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 and Dato' Gan Tiong Sia. Mr. Gan has no conflict of interest with the Group except for those transactions as disclosed in Note 32 to the financial statement. He has not been convicted of any offences within the past five (5) years.

DIONG TAI PEW
Independent Non-Executive Director
Age 69, 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 49, 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 46, 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 & evaluation, design & 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, UK 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 Beh Chern Wei
Age 53, 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.

SENIOR MANAGEMENT TEAM

MOHAMAD BIN YUSOF

President Director, PT. V.S. Technology Indonesia
Age 55, 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.

GAN PEE KE'NG

Senior General Manager
Age 52, 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 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.

LIM MING CHOY

Senior General Manager
Age 53, Male, Malaysian

Lim Ming Choy joined the Group in 2005 as Assistant General Manager, and was subsequently promoted to General Manager in 2007. In 2020, he was appointed as Senior General Manager. He has accumulated more than 30 years of experience in the electronics manufacturing industry.

Mr. Lim holds an Executive Master of Business Administration from the United Business Institutes in Belgium and a Diploma in Business Management from the Malaysian Institute of Management.

Mr. Lim 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.

ABOUT THIS REPORT

At V.S. Industry Berhad, sustainability is a core principle that is embedded into the Group's corporate culture and business conduct as we work to scale our business. In the past year, we have seen unprecedented situations with the onset of Novel Coronavirus ("Covid-19") impacting the way organisations work and operate. Against this backdrop, we stayed resilient and adaptive towards changing circumstances with heightened focus on the Group's risks and opportunities in the Economic, Environmental and Social ("EES") aspects. With that in mind, we are pleased to continue our journey of creating sustainable shared value with our stakeholders through our operations and offerings.

In this Sustainability Statement ("the Statement"), we will discuss how we govern sustainability at V.S. Industry Berhad, the stakeholders we impact, and the material sustainability matters of the Group in EES perspectives.

DEFINING OUR SCOPE

Reporting Standards

This Statement has been prepared in accordance with the Main Market Listing Requirements ("MMLR") and guided by the Sustainability Reporting Guide and Toolkits (2nd Edition) issued by Bursa Malaysia Securities Berhad ("Bursa Securities").

Report Scope and Boundaries

This Statement covers the sustainability performance and progress of 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", "VS", the "Company" or the "Group". These entities are principally involved in areas related to manufacturing, assembly and sale of plastic mould components and parts, as well as the electronic products business division. Collectively, they contribute more than 80% of the Group's total sales.

Our disclosure is limited to the Group's selected domestic operations, unless stated otherwise, as our scope is bound by our present capacity to collect and collate reliable and accurate information. With the improvement of data collection system, we aim to include more data from our operations in future reports. The reporting period is aligned to VS' financial year from 1 August 2019 to 31 July 2020 ("FY2020").

BENCHMARKING SUSTAINABILITY

In today's competitive landscape, we understand that being sustainable is more than an environmental gesture; to us, it is about creating innovative solutions while being mindful of the environmental and societal impact we have on the world around us.

VS' approach to delivering sustainable shared value is governed by 5 pillars that reinforce our commitment towards building a better world – **Environment**, **Welfare of the Employees**, **Community**, **Marketplace** and **Supplier**.

Our goal is to become a **sustainability-led innovator** with **an integrated and resilient workforce** while **being conscious of the community and environment**. These goals are embedded into our processes and guide all our business conducts.

At VS, we continuously work to enhance our capacity to innovate in order to maintain a competitive edge. We achieve this by integrating and enhancing our business processes with advancement in technology in pursuit of becoming a **sustainability-led innovator**.

We recognise that our people are our most prized asset with **an integrated and resilient workforce** integral to the Group's growth. Hence, it is imperative that we create a safe and healthy work environment with policies and practices in place that promote fair treatment of employees and talent development.

While striving for profit, we seek to carry out our business activities with a **community and eco-friendly consciousness**. We are aware of our impact on the surroundings and endeavour to operate sustainably while managing these matters.

Keeping this in mind, we continue to adopt the industry's best practices and benchmark against the United Nations Sustainable Development Goals ("SDG") and Eleventh Malaysia Plan ("11MP") in a bid to contribute towards these goals. Diagram 1 below displays how we create value through realising the SDGs and 11MP.

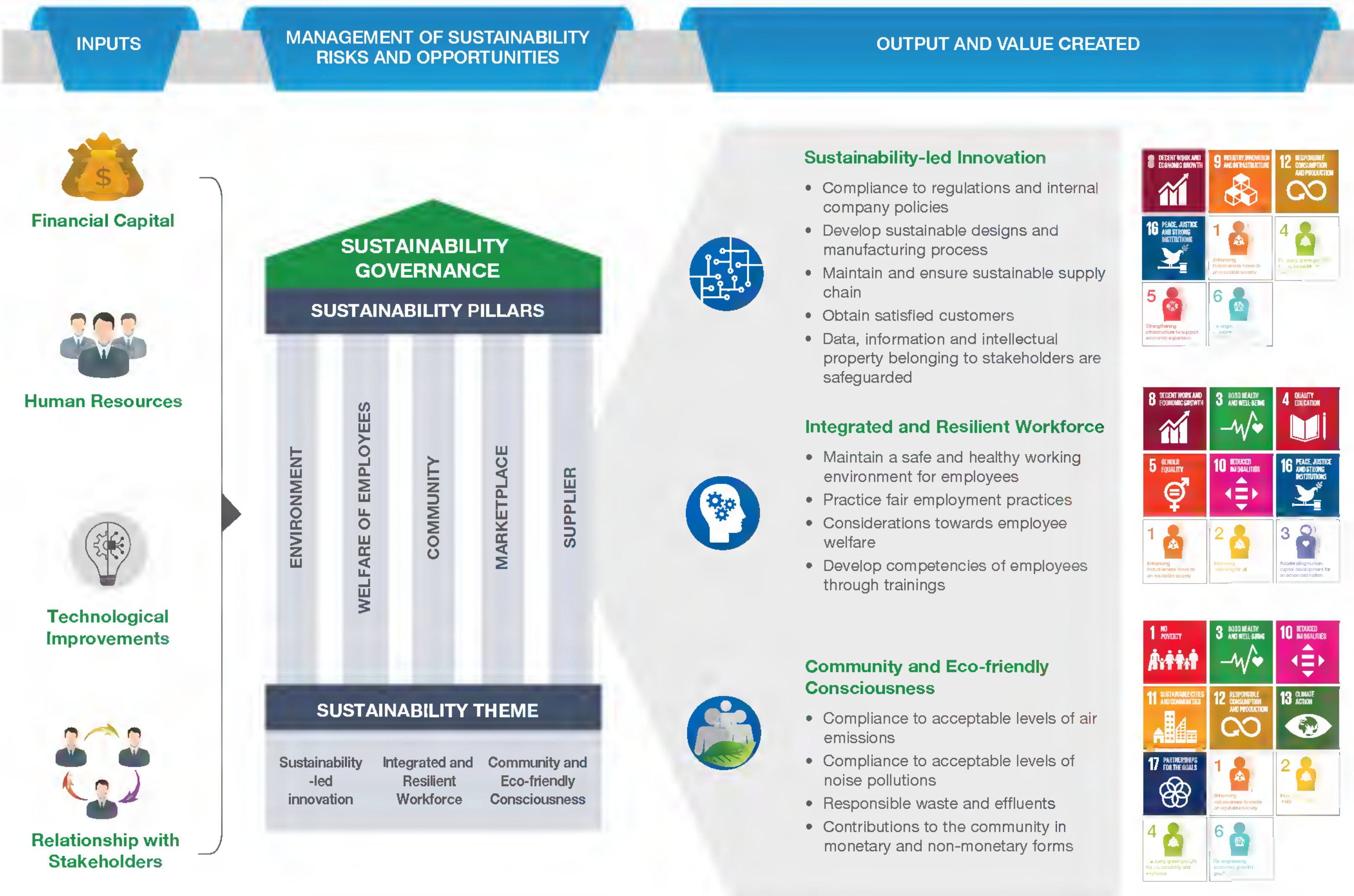


Diagram 1: Value Creation Model

The Group's responsibility towards environmental, social and governance matters is made clear through the implementation of our Sustainability Policy, covering the areas below:

- Ensure our suppliers' compliance with the highest ethical standards;
- Comply to regulations with regards to the environment and Occupational Safety and Health;
- Practice "Green" procurement and manufacturing;
- Reduce material consumption through the practice of recycling of waste materials;
- Responsible waste management and disposal;
- Maintain a safe and healthy working environment at all times;
- Fair treatment of employees;
- Contribute to local authorities and communities;
- Uphold business excellence and continuity;
- Continual Research & Development efforts to achieve product innovations;
- Develop long-term partnerships with clients; and
- Comply with recommended practices under the Malaysian Code of Corporate Governance.

With our sustainability initiatives, VS Industry has been included in the Bursa Malaysia's FTSE4Good ("F4GBM") Index since 2018. We are one of the 73 constituents of the F4GBM Index as of the latest review in June 2020. This is a testament to VS' commitment towards strong corporate governance practices across a broad range of EES indicators.

SUSTAINABILITY GOVERNANCE STRUCTURE

For effective implementation of sustainability initiatives into our business, we believe that the thought process and thrust must be driven by the top-most tiers of leadership and cascaded down to the rest of the company.

The Group's sustainability agenda is led by our Board of Directors ("BOD" or the "Board"), which oversees all sustainability-related matters and ensures that we remain a responsible corporate citizen while pursuing our commercial objectives.

The Board is supported by the Senior Management team, which is led by the Group Managing Director ("MD"). The Senior Management's role is to look after the proper implementation of our sustainability efforts within the Group. A designated member of the Board undertakes the role of supervising the Senior Management on the sustainability-related matters.

With the establishment of the Sustainability Working Group ("SWG") in 2017, we have been actively monitoring our material matters. Implementation and management of our sustainability efforts is executed by the SWG, which also provides updates and recommendations to the Board and the MD in respect to the Group's sustainability performance. The SWG is chaired by the Group Financial Controller and supported by the Head of Departments encompassing the Finance, Supply Chain, Marketing, Human Resources and Operations functions.

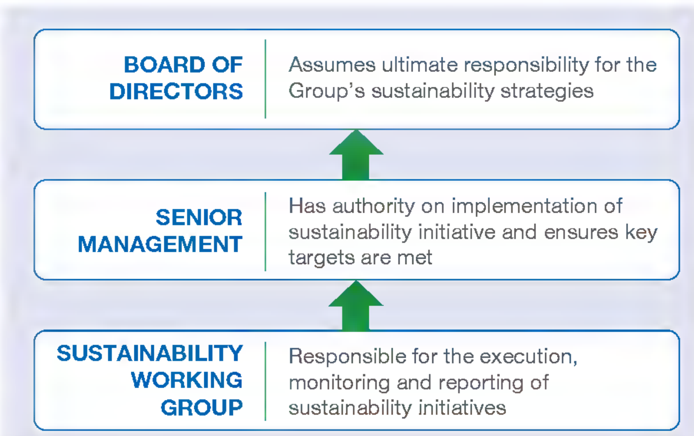


Diagram 2: Sustainability Governance Structure

ENGAGING OUR STAKEHOLDERS

Our stakeholders represent a diverse group of individuals and group. We remain committed to maintain constructive and open dialogue with our stakeholders through various channels. By proactively engaging our stakeholders, we are able to develop inclusive and responsive course of actions to respond to their expectations and concerns. This will contribute towards the operational excellence and sustainability of the Group. Our engagement approaches with key stakeholders are outlined in Table 1 below.

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	• Manufacturing quality • Manufacturing capacity • Research & development • Equitable business operations	• Theme 1: Sustainability-led Innovation
Suppliers	• Interview • Evaluations / Re-evaluations • Face-to-face interactions	• Agreeable contracts • Terms of payments • Maintaining partnerships	• Theme 1: Sustainability-led Innovation
Local Communities	• Online platforms (e.g. corporate website & online job 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	• Working conditions • Labour rights	• Theme 2: Integrated and Resilient Workforce • Theme 3: Community and Eco-friendly Consciousness

Table 1: Stakeholder Engagement Channels and Areas of Interest

In 2019, we further strengthened our engagement with stakeholders and undertook a stakeholder prioritisation exercise to determine stakeholder groups depending on the level of influence and dependence on VS Industry. The results of the exercise are displayed in Diagram 3 below.

STAKEHOLDER PRIORITISATION MATRIX

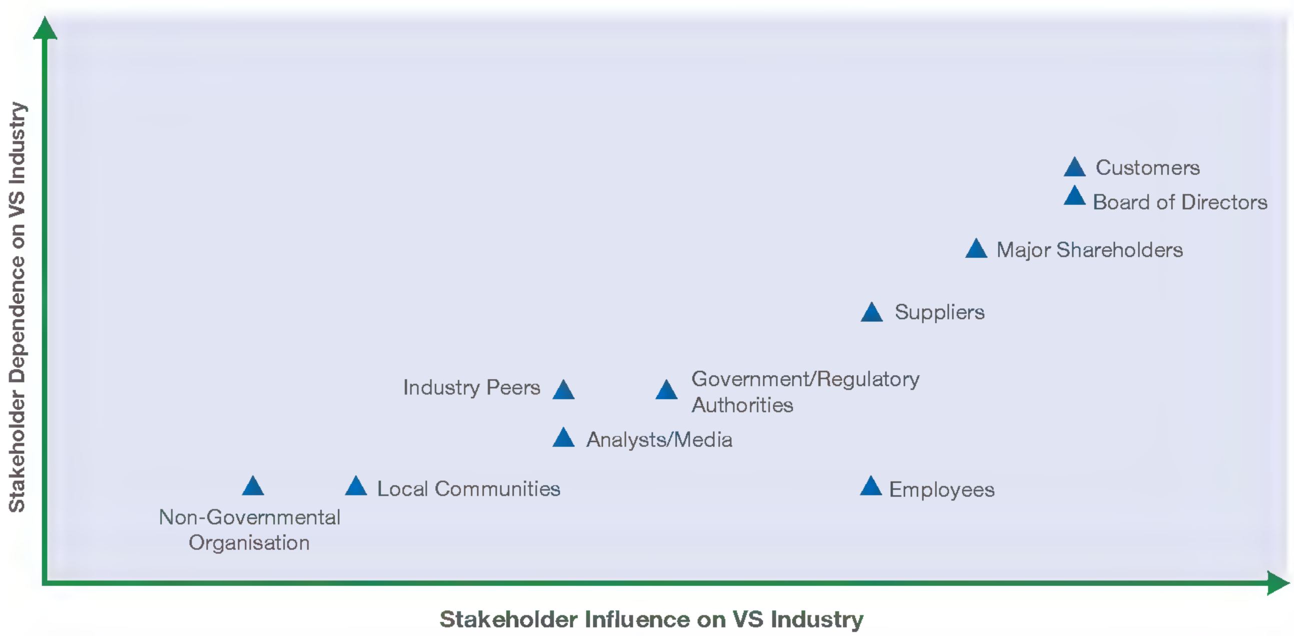


Diagram 3: Stakeholder Prioritisation Matrix

OUR MATERIAL TOPICS

In this rapidly evolving business environment, materiality assessment is important to identify and prioritise key matters that are significant to our business and interest of our stakeholders. We follow a formal materiality assessment process, where we first identify a list of relevant sustainability matters, which include internal and external factors, through evaluating our business strategy and risks, peer reports and industry-specific publications, to name a few.

Diagram 4: Materiality Assessment Process

Following this, representatives from the Senior Management deliberate and prioritise on the Group's most pressing issues. Our stakeholders' views were also taken into consideration through our engagements to gather feedback on matters most central to them. As a result, we can better manage our risks and opportunities to strengthen our sustainability-related performance. Diagram 5 below illustrates the results of the materiality assessment.

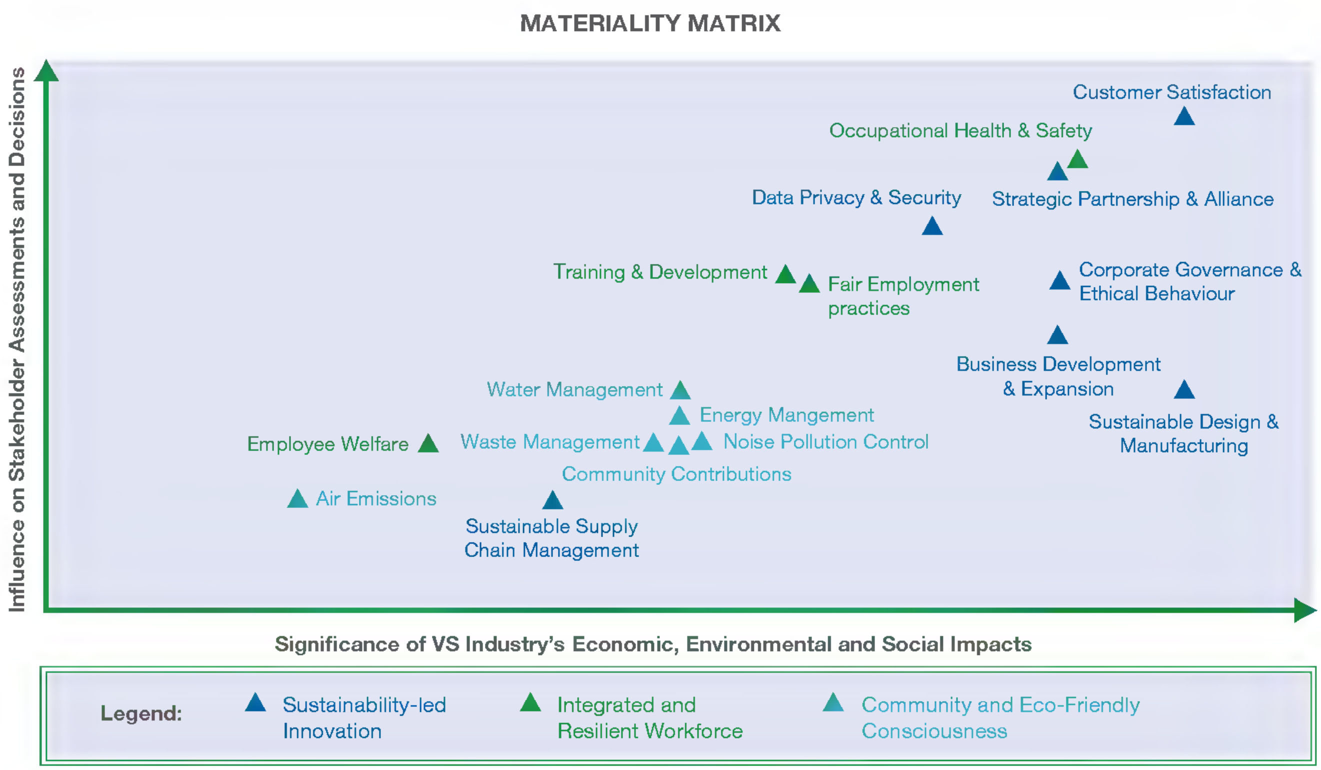


Diagram 5: Materiality Matrix

Our approach to managing these material matters are elaborated in the following sections of this report. However, four sustainability matters, namely Strategic Partnerships and Alliances, Business Development and Expansion, Energy Management and Water Management, are not discussed mainly due to data sensitivity or lack of data over the reporting period. Looking ahead, we aim to enhance the monitoring and disclosure of our sustainability matters.

SUSTAINABILITY-LED INNOVATION

VS Industry plays an essential role in delivering value to a broad range of industries for global companies. We are continuously exploring ways to strengthen our competitiveness as we strive to remain at the forefront of the Electronics Manufacturing Services ("EMS") space. We do this by leveraging our expertise to understand the unique requirements of our customers and align our processes to deliver innovative and superior quality products in a cost-efficient manner while upholding integrity in our business conducts.

CUSTOMER SATISFACTION

We understand that customer support is critical to the success of our business and are committed to total customer satisfaction, in line with our mission to put forth our best efforts as a partner.

> **As the leading home-grown EMS provider, we are in a position that enables global brands bring world-class and smart electronic products to households around the world.**

This is done by building our capabilities, offering integrated products and services, and through our strategy of early involvement in the stages of our customers' value chain where we offer support in technical, environmental and economic aspects.

Customer Satisfaction Feedback

Customer satisfaction starts with understanding our customers, as well as their needs and aspirations. As such, we place high priority on effective customer engagement with various feedback channels provided with the aim of creating an enhanced experience for our customers.

In FY2020, we continued to gather feedback by disseminating customer satisfaction surveys. Key customers are engaged on a bi-annual basis using a Scorecard that will rate their level of satisfaction with VS' services in various aspects including quality, delivery, technical, support and cost management.

Following that, our clients' feedbacks are reviewed using the Scorecard Review system, to be accounted and recorded in the Group's Customer Satisfaction Index ("CSI"). This method enables us to track our relationship with customers and allows us to identify areas for ongoing improvement. Diagram 6 below displays our performance in this area.

Diagram 6: Customer Satisfaction Index

We are pleased to update that in FY2020, we achieved our target of 85% for CSI, as compared to 75% in FY2019. The higher score was attained on the back of our ongoing improvement plans in various performance areas such as quality, cost and innovation. At the same time, we received a total of 23 feedback from customers. All matters have been explored to identify the root cause with corrective actions taken.

Responsible Business Alliance Assessment

To support our commitment towards sustainability, we are a member of the Responsible Business Alliance ("RBA"), the world's largest industry coalition that is dedicated to corporate social responsibility in global supply chains. Our sustainability initiatives are aligned to the RBA Code of Conduct, with its implementation across the Group to ensure our operations are conducted in a responsible and ethical manner. To comply with the RBA Code of Conduct, we use the RBA Self-Assessment Questionnaire ("SAQ") to assess our facilities. This includes the identification of risks in ethical, safety, social and environmental terms, and thereafter developing improvement initiatives and corrective action plans to be implemented. During the year, we passed all 4 RBA audits which were carried out on VS Industry by our customers with no major risk identified during the process.

CORPORATE GOVERNANCE AND ETHICAL BEHAVIOUR

We recognise that effective corporate governance practices are key to retaining smooth and transparent operations within the Group, in addition to contributing towards social value and optimisation of shareholder value.

Code of Ethics (Do & Dont's)

- Governs and outlines the expected behavior of all employees when discharging their duties and responsibilities based on the Group's core principles.
- Employees are required to adhere to the code, which is comunicated through employee on-boarding program.

Business Code of Conduct & Ethics

- Our Business Code of Conduct lays out our obligation and commitment to ethical business practices, covering the areas of Labour, Health and Safety, Environment and Ethics.
- The code can be found on VS' corporate website at http://www.vs-i.com/investors/.

Whistleblowing Policy

- Provides channel for employees to report concerns of any suspected cases of fraud, corruption, unethical behavior, malpractices, illegal act or failure to comply with regulations, misappropriation and other irregularities occurring within VS.
- The report will remain confidential and the whistleblower will not be reprimanded for doing so.
- The policy can be found on VS' corporate website at http://www.vs-i.com/investors/.

Anti-Corruption Framework Policy

- Our ACF Policy represents our commitment to combat bribery and corruption within the Group.
- It sets out the main principles, policies and guidelines which VS pratices in relation to anti-corruption.
- The framework can be found on VS' corporate website at http://www.vs-i.com/investors/.

Diagram 7: VS Industry's Policies

Hence, VS Industry remains steadfast in conducting business with uncompromising integrity and in compliance with all laws and regulations of where we do business. In all our interactions, we are accountable to our stakeholders, encompassing our shareholders, customers, employees and suppliers, among others.

In this regard, we have put in place several ongoing initiatives and policies to maintain a strong corporate governance across our businesses. Diagram 7 displays some of policies implemented at VS Industry.

All employees are briefed during their on-boarding programme and again communicated periodically during the course of their employment.

We ensure that our policies are compliant with the laws, rules and regulations of where we operate. Continual enhancements are made to remain up-to-date and relevant to the current business climate. In FY2020, no cases of breaches in ethics and integrity were reported.

DATA PRIVACY AND SECURITY

In this digital era, greater quantities of data are being generated as technologies become increasingly integrated in our society. Alongside the benefits of digital technology, there are also cyber-security risks with concerns on who has access to this data.

To this end, we are committed to being transparent in how we manage this confidential information as we recognise that there is a need to safeguard data belonging to our stakeholders. VS has enforced a Personal Data Protection Policy since 2013 pursuant to the Personal Data Protection Act 2010 ("PDPA"). The policy declares that VS Industry shall not process personal data except with consent from the owner of the data. A prospective supplier, customer, employee and other individuals who provide personal data is required to sign the PDPA notice, to comply with the PDPA.

RM145,000
Investment in Data Protection System

Our focus remains on enhancing VS' cyber-security to better protect our stakeholders' data from intrusions and unauthorised access. In FY2020, we continued our efforts and invested approximately RM145,000 to tighten our data security protection system and improve our existing Information Technology ("IT") framework with annual license and support renewal, as well as version upgrading for various software programs.

As a result of our ongoing endeavours, there were no breaches or incidents reported in FY2020.

SUSTAINABLE DESIGN & MANUFACTURING

As a trusted manufacturing partner of renowned brand names in the electrical and electronic products space, we are always pushing the boundaries for new solutions and ideas to design innovative yet reliable products in a sustainable manner. In line with the evolving operating landscape, there is an increasing demand and preferences for innovation-led offerings. This remains a driving force for our manufacturing activities, as we work to remain a prominent and dependable home-grown EMS provider for our customers.

To achieve this, we develop a tight relationship with our customers with a deep understanding of their needs. This way, we are able to tap into our expertise in manufacturing innovation and work closely with our customers during the crucial phases of product development. This allows for more synergies to be achieved with the aim of realising the expectations of our customers.

Lean Manufacturing Programme

In pursuit of operational excellence, we implemented a Lean Manufacturing Programme to strengthen our processes and methodologies. Through this programme, we target to reduce wasteful practices, processes and materials, defects in production and processes, as well as to increase overall quality and productivity. This is consistent with the top 4 wastage sources identified in our manufacturing processes - over-processing, cycle time, waiting time and manufacturing defects, listed in descending order.

The programme also includes the adoption of a 5S workplace organisation method at all VS' plants to achieve standardisation and more consistent operational results. The 5S method is made up of 5 pillars – Sort (Seiri), Set in Order (Seiton), Shine (Seiso), Standardise (Seiketsu) and Sustain (Shitsuke) - and is designed to minimise waste and optimise productivity through maintaining a safe and orderly working environment. To ensure observance of the 5S principles, we perform audits and inspections at our plants on a monthly basis.

In FY2020, our initiatives in relation to process automation were ongoing with the implementation of the Lean Manufacturing Programme, as shown in Diagram 8.

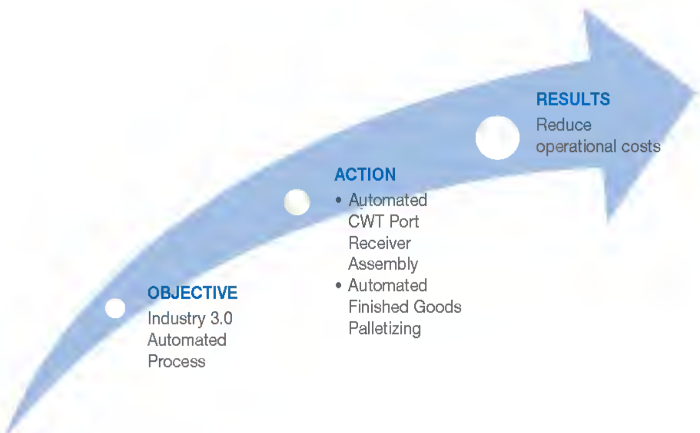


Diagram 8: Lean Manufacturing Programme

Product Design Innovation

We believe that through innovation, we can build more sustainable products, processes and practices that benefit the organisation and society at large. During the period under review, we continue to build our competencies with an investment of approximately RM64 million. From this total investment, 87% was utilised on expanding the production lines at our new manufacturing facility in Senai to cater to orders from new customers, with the remaining 13% spent on renovation of the plant. Our investment in machines and equipment is part of our growth strategy to increase automation and productivity.

RM64 million
Investment on Expansion and Renovation

Table 2 shows the variance in investments against total investment in FY2019. The lower investment in FY2020 is mainly due to our purchase of a new facility in FY2019, which required a higher amount of investment.

Investments in New Technology and Initiatives	
Investment	**FY2020**
Building and facilities	-54%
Machines	-18%

Table 2: Percentage Increase/Decrease in Investments in New Technology and Initiatives

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

VS' Supply Chain Department monitors and supervises all supply chain-related activities across the Group to ensure we engage in responsible procurement practices. We endeavour to maintain a healthy supply chain management through building long-term relationship with our suppliers based on set criteria. To this end, we have put in place several initiatives with the aim of developing a more sustainable supply chain.

Supplier Ethical and Environmental Code of Conduct

Our supply chain practices are guided by the Group's Supplier Ethical and Environmental Code of Conduct ("CoC"), outlining our expectations that VS' suppliers have effective policies in place to comply with this code, as well as a set of internationally acceptable conditions of employment. Vendors qualification are carefully vetted prior to being admitted into the Group's list of qualified suppliers. Diagram 9 shows the various areas covered by the CoC.

We seek to achieve sustainable growth built upon a foundation of mutual trust and respect with our business partners. To date, all suppliers, as well as sub-contractors who provide products or services to VS, have adhered and declared compliance to this code through the signing of the CoC. Apart from that, we also require our suppliers to comply to VS Industry's Restriction of Hazardous Substances ("RoHS") that restricts use of specific hazardous materials in electrical and electronic products.

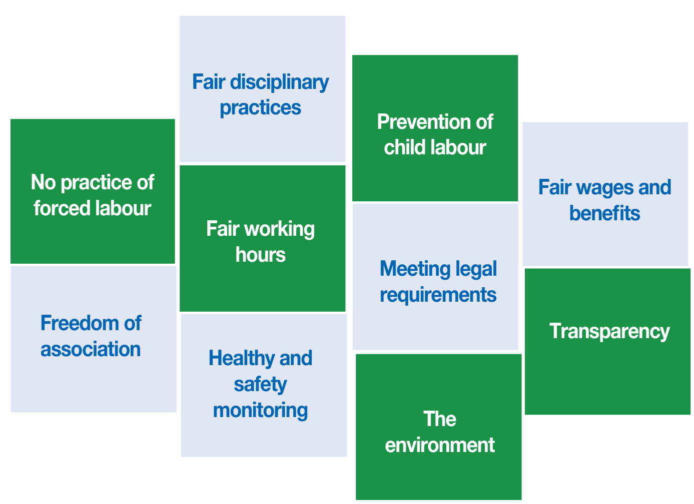


Diagram 9: VS Industry's Supplier Ethical and Environmental Code of Conduct

Appointment and Management of Suppliers

Procurement of local goods and services creates a social and economic impact in the community of where we operate. One measure of our social impact is the proportion of our engagement with local suppliers over foreign suppliers, as well as our spending on them.

As and when feasible, we set forth to procure locally for goods available here. However, due to the nature of our operations involving niche mechanical parts and components, there is still a need to source from foreign suppliers. In FY2020, we engaged 2,504 trade and non-trade suppliers consisting of both local and foreign suppliers. Table 3 displays the breakdown between local and foreign vendors, as well as the proportion of local and foreign purchases in FY2020 and FY2019.

Local vs. Foreign Suppliers and Purchases				
Percentage of local and foreign suppliers engaged				
	FY2020		FY2019	
	Local	Foreign	Local	Foreign
VSI	71%	29%	74%	26%
VSP	47%	53%	50%	50%
VSE	59%	41%	60%	40%
Percentage of local and foreign purchases				
	FY2020		FY2019	
	Local	Foreign	Local	Foreign
VSI	49%	51%	52%	48%
VSP	45%	55%	50%	50%
VSE	22%	78%	18%	82%

Table 3: Engagement with and purchases from local and foreign suppliers

Every year, we conduct a supplier requalification evaluation on selected supplier by random to ensure ongoing compliance to commercial conditions and sustainable supply chain. In FY2020, a total of 70 local and foreign suppliers underwent the evaluation. Visits to suppliers' sites are also conducted to perform assessments on their processes and controls.

INTEGRATED AND RESILIENT WORKFORCE

The value we bring is made possible by our 8,000-strong workforce who are committed to make a lasting positive impact on our customers, the Group and the community. With a wide reach across various industries and regions, we are in a unique position to bring solutions to our surroundings in respect to sustainability efforts.

OCCUPATIONAL HEALTH AND SAFETY

At VS, we strive to promote a safe and healthy working environment at all our premises. Effective health and safety provision are a responsibility and requirement for us as we endeavour to establish a workplace that is free of occupational safety hazards.

Occupational Health and Safety Policy

Our approach to Health and Safety is outlined in our Occupational Health and Safety ("OHS") Policy, which is in line with the Occupational Safety and Health Act 1994. The policy sets out our commitment to mitigate work-related incidents and entails the following:

- Pursue continuous improvement in our OHS performance by considering community expectations and management practices;
- Comply with applicable laws, regulations and standards, and where adequate laws do not exist, adopt and apply standards reflecting VS' commitment to OHS;
- Train and hold employees accountable for their respective area of responsibility;
- Implement management systems to identify, assess, monitor and control hazards, review performance, to identify risks;
- Openly communicate with employees, the government and community on OHS-related matters; and
- Periodically review VS' OHS Policy for effectiveness and suitability.

Our Safety and Health Committee ("Safety Committee") maintains an overview of the Group's safety-related initiatives, tracks the OHS performance in order to assess our OHS risks and recommend actions for necessary improvements. It is also responsible for the review of the OHS Policy for observance of compliance with relevant regulations.

Due to the nature of our business in the manufacturing industry, our employees are exposed to various safety hazards, such as moving parts and sharp edges, among others. In FY2020, we recorded a total of 7 work-related injuries. This involved 3 minor incidents, that were caused by cuts as well as a fall when carrying out duties. 4 major cases were reported during the year, attributed to a chemical burn and body parts caught in moving machineries. We define major case as an injury with a Lost Time Injury ("LTI") of more than 4 days. We are regretful to inform that there was one major accident that involved one of VS' contractors that was fatally injured by a moving vehicle. Following the incident, we performed thorough investigations and implemented additional safeguards to strengthen our OSH initiatives. These include, but not limited to, the efforts below:

- Improved the Standard Operating Procedure ("SOP") requirements in regard to operations, machines, as well as traffic and transportation;
- Enforced Permit-to-Work and Hot Work Permit to ensure work is done safely and efficiently;
- Raised awareness on chemical management and handling to all employees;
- Strengthened the Hazard Identification, Risk Assessment and Risk Control ("HIRARC") across the Group; and
- Enhanced engineering control of machines.

We remain focused on strengthening the implementation of safety initiatives and work on reducing our risk levels. Through these initiatives, we intend to further equip our employees with proper safety tools, as well as provide continuous training on safety awareness to prepare for any potential occurrences.

Occupational Health and Safety Initiatives

We are continuously making improvements to our safety-related efforts in our pursuit of an injury-free workplace. Employees are required to report any potential hazards to either the respective Head of Department or directly to the Safety Committee on an immediate basis. All injuries shall be reported to the Safety Officer, who will then investigate the matter alongside the Safety Committee. A report will be prepared upon completion of the investigation, to be submitted to the Department of Occupation Safety and Health ("DOSH"), Department of Labour ("DOL") and the Social Security Organisation ("SOCSO").

During the year, we carried on our safety-related initiatives which included the following:

- Ensured proper Personal Protective Equipment ("PPE") are provided to employees;
- Established emergency response plans;
- Conducted programmes to promote and raise awareness on safety practices within plants;
- Provided preventive occupational medical services;
- Conducted safety briefings for all visitors to educate on potential hazards and precautionary measures;
- Developed processes to analyse risks and effectiveness of controls at workplace;
- Provided on-site medical clinic for treatment of work-related injuries; and
- Performed collaborative sharing sessions to discuss OHS issues.

VS' Response to Covid-19

In FY2020, we saw the rapid outbreak of Covid-19 pandemic disrupting businesses worldwide. From the very beginning, we have approached this global pandemic with utmost caution, focusing on the health and safety of our employees. Various precautionary measures have been introduced to mitigate our employees' potential exposure to Covid-19, as outlined in Diagram 10 below:

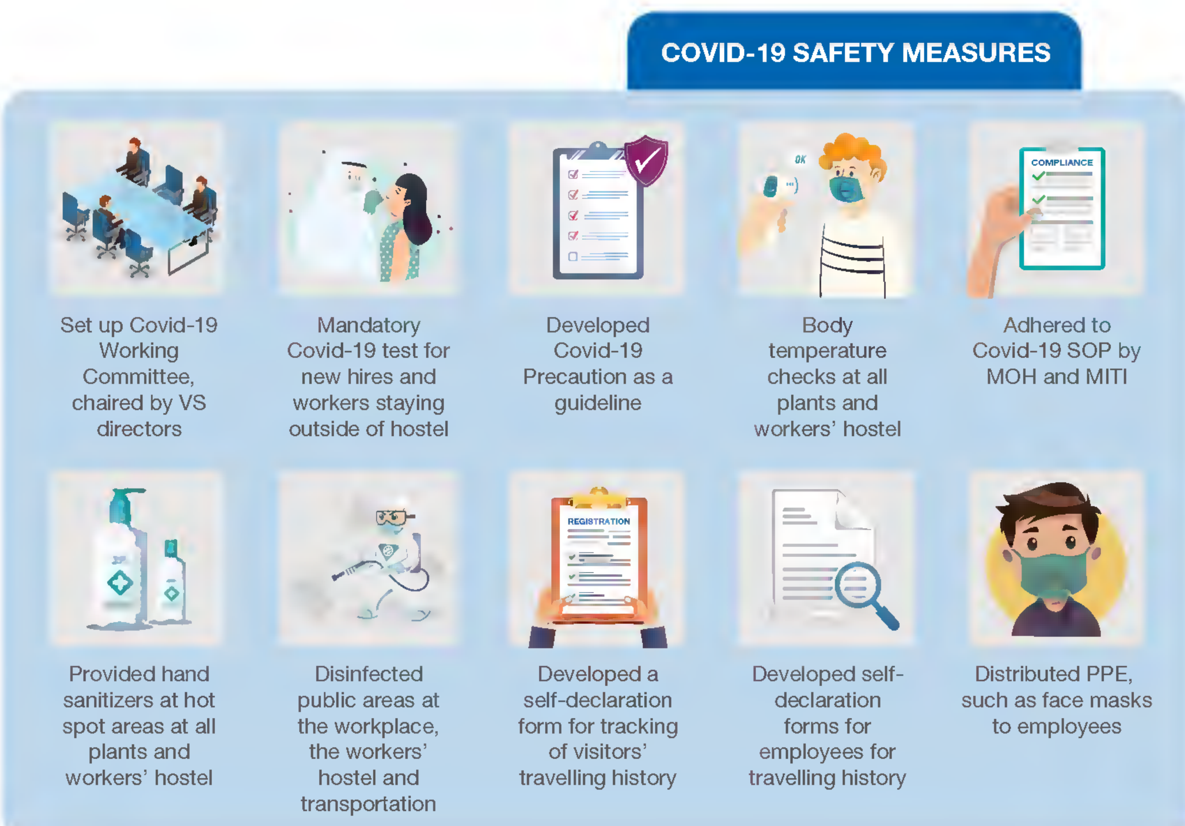


Diagram 10: VS Industry's Covid-19 safety and preventive measures

Promotion of Occupational Health and Safety

Throughout the Group, training and safety-related programmes are continuously carried out to establish and embed a culture of safety among our employees. Each employee is accountable and responsible for adhering to the occupational health and safety SOP in accordance with Section 25 of the Occupational Safety and Health Act 1994.

Our goal is to increase awareness on OHS matters with our training sessions covering various topics including, among others, chemical handling, first aid administration and stacker safety driving.

SAFETY TRAINING PROGRAMMES IN 2020

- Behavioural Based Forklift/Reach Truck Safety Operations Training
- Scheduled Waste Analysis for Proper Waste Management Course
- Fire Safety Team Course
- Chemical Handling Course
- Fire Fighting With Bomba
- Disposal for Scheduled Waste Seminar
- SHE Conference: Safety is A Mission, Not An Intermission
- Certified Environmental Professional in The Operation of Industrial Effluent Treatment System-physical Chemical Processes Cource
- Radiation Safety Practices for Radiation Protection Officer
- Basic Occupational First Aid Training

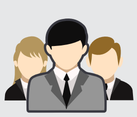
FAIR EMPLOYMENT PRACTICES

At VS, we empower our people to achieve personal and professional excellence by offering growth opportunities in a safe environment that does not discriminate, and one which welcomes diversity at the same time. As a responsible and fair employer, we have established several policies and procedures to uphold these human rights. These are communicated through the Group's Code of Ethics (Do and Don't) and the Employee Handbook.

Equal Employment Opportunity

We are committed to the principle of Equal Employment Opportunity with our human capital strategy in line with the best practices for recruitment and development based on merit. We are dedicated to having an open and transparent work environment where our employees shall have equal opportunities to achieve their full potential, regardless of personal status.

We work diligently to ensure there is zero tolerance for discrimination. All employees are to respect one another's human rights and discrimination on the grounds of nationality, race, gender, religion, disability, age, place of origin or other reasons are forbidden.



7,988
Total Number of Employees in FY2020

In FY2020, VS Industry has a total workforce of 7,988 employees, as compared to 8,803 employees in FY2019. The reduced number of workers can be attributed to the lower intake of foreign workers due to the government-imposed Movement Control Order ("MCO") in order to curb the spread of Covid-19.

Our workers fall into three categories, which are non-skilled (A & B), semi-skilled (C, D & E) and skilled (EX1 and above). As we are in the manufacturing line, a large proportion of our workforce comprises non-skilled workers who are assembly plant operators and assemblers.

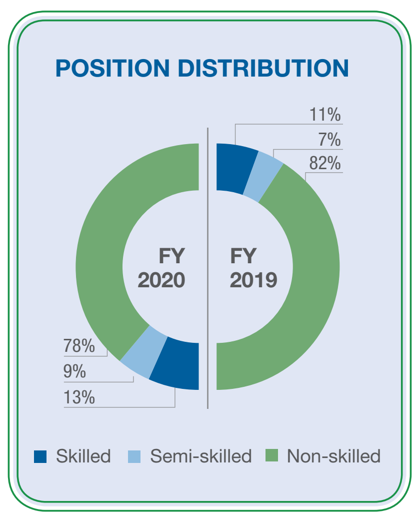


Diagram 11: Distribution of Positions within VS' Workforce

Workforce Diversity and Inclusion

The expansion of our business activities beyond the region has meant growing diversification of not only VS' customers but also our employees. As such, we believe a diverse and inclusive workforce yields potentially better and more lasting results for the Group's growth. The distribution of our workforce demographics is displayed in Diagram 12.

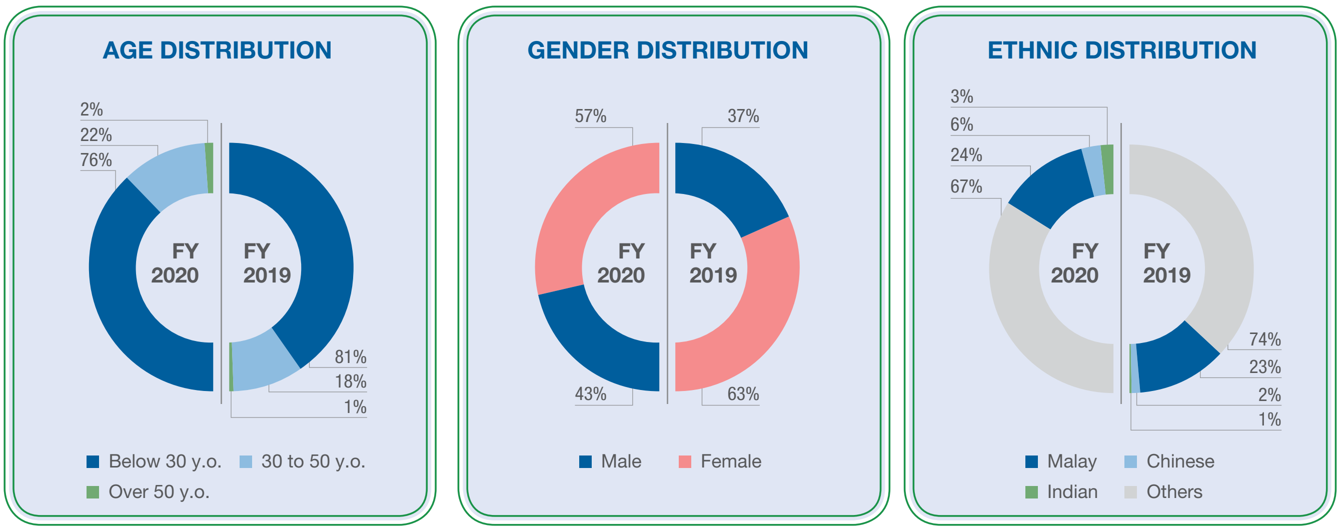


Diagram 12: VS Industry's Workforce Distribution

At VS, we support a gender-balanced workforce with our female employees accounted for 57% of our total workforce in FY2020, while the remaining 43% are male. We endeavour to provide more opportunities for women within the Group and introducing policies supporting our female colleagues. At the same time, we also have a solid young talent pool with 75% of our workforce below the age of 30.

Our continuing goal at VS is to be a truly open and inclusive employer with zero-tolerance towards unethical labour practices. Diagram 13 sets out several fair employment practices implemented at VS Industry.

Prohibition of Harassement

Any forms of sexual harrasment 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 brifed and aware of these.

Adherence to Minimum Wage

We observe the Minimum Wages Order 2020 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 in March 2011.

Diagram 13: Fair Employment Practices at VS Industry

EMPLOYEE WELFARE

At the core of VS Industry's success lies a pool of committed and hardworking employees driving growth. We place strong emphasis on attracting and nurturing the right talent by providing opportunities and incentives that allow them to be the best they can be. With this in mind, we have adopted an integrated welfare system, managed by our Human Resource Department, to remunerate and recognise our personnel fairly.

Benefits and Compensation

The compensation and benefits package we offer our employees are aligned to the applicable local statutory requirement and regulations. We maintain a competitive wage structure with remuneration commensurate with their respective work performance, qualifications and experience. Beyond wages, our employment benefits are shown in Diagram 14.

Apart from these, our employees are also entitled to annual and medical leaves. We also grant 2 days of special leave per year for occasions such as wedding, death of immediate family members or natural disasters.

EMPLOYMENT BENEFITS

- Personal accident and medical insurance coverage
- Group hospitalization and surgical scheme
- Dental benefits
- Funeral benefit
- Continued education subsidies
- Festive gifts
- Uniform and personal protective equipment
- Application of residence permits for existing employees

Diagram 14: Employment Benefits at VS Industry

Employee Engagement

We believe that a productive workplace stems from a healthy workforce with a work-life balance that contributes towards shared value for the larger society. Engagement initiatives are organised every year to strengthen peer-to-peer relationships and promote workplace cohesion. In FY2020, we continued our endeavours to foster closer ties among our employees by holding activities such as department gathering dinners, fund-raising event and fun run, to name a few.

Communication Channel

At VS, we encourage open and supportive dialogue with our employees. To support this, we provide various channels where our people can air out any suggestions or opinions that will help us in making more informed decisions.

Our grievance procedure has been established to address any grievances and to promote transparency and accountability.

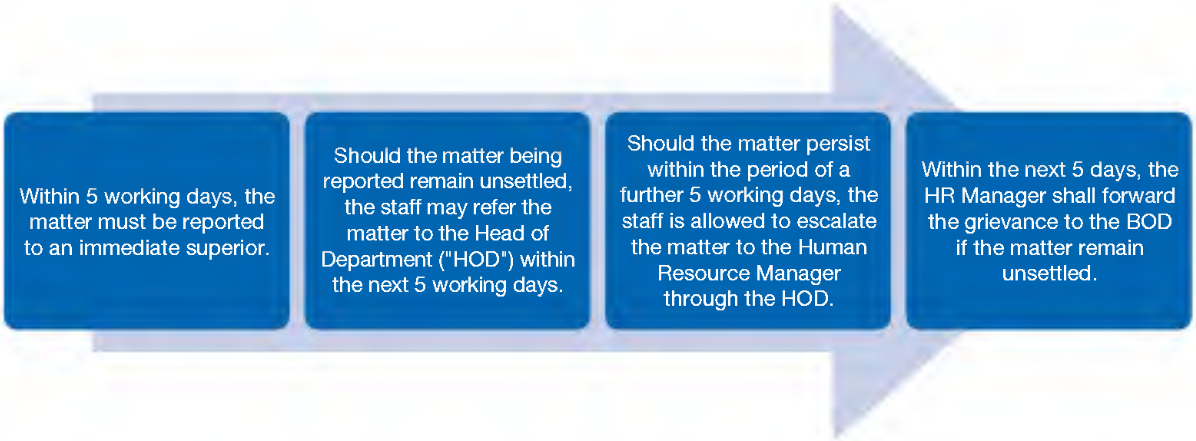


Diagram 15: VS Industry's Grievance System

During the reporting period, we received a total of 38 cases of workplace grievances, with a majority related to behavioural issues. Nonetheless, all cases were concluded amicably following SOP, with no cases of retaliation as management took swift and necessary actions.

Training and Development

The Group's progress is reliant on our ability to attract, develop and retain skilled individuals at all levels. As industry expectations continue to evolve, we support our people's growth by providing a wide range of development and training opportunities.

Our training programmes involve employees of all levels, covering areas in relation to functional, behavioural and leadership, to facilitate intrinsic growth. This includes training to develop industry-related skills, as well as to enhance leadership capabilities.

VS Industry makes significant investment to upskill and equip employees with the relevant competencies. During the year, we invested over RM390,000 in the development of our employees, recording 972 training hours Groupwide with a total of 59 training programmes provided.

RM390,000
Investment in Employee Development

COMMUNITY & ECO-FRIENDLY CONCIOUSNESS

We strive to conduct our business operations in line with the best environmental practices to ensure that we are in compliance with the relevant regulatory requirements. To this end, our processes are certified with ISO 14001:2015, a globally accepted industry standard for environmental management measures. As we endeavour to grow the business and deliver products of high quality, we are committed to continue managing the environmental footprint of our operations.

WASTE MANAGEMENT

One of the ways VS contributes towards environmental sustainability is through effective waste management, which include recycling efforts, reducing wastage and proper waste handling procedures. We have put in place strict internal controls in adherence to the relevant laws and regulations.

In this regard, we have established a set of standardised procedures to optimise product packaging and waste management initiatives through the Group's Waste Management Procedures. VS' Safety Department is tasked to oversee the waste management practices governed by our Environmental Policy and guided by the Waste Management Procedures.

As an EMS provider, our waste materials are categorised into two categories – scheduled and non-scheduled waste, as per Malaysian regulations. The scheduled waste materials are handled carefully and separated from the non-scheduled waste, to be collected and properly disposed by a Department of Environment ("DOE") approved contractor. Our practices are in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005 of the Environmental Quality Act 1974. Meanwhile, the non-scheduled waste we generate is collected by selected waste collectors for recycling or to be disposed at landfills. Our non-scheduled waste is in the form of paper, wood, plastic, scrap metal and food waste, among others.

We are working towards developing a more effective waste management system and that involves raising awareness among our employees on best waste-related practices. This year, we continued to educate our people on proper waste labelling and waste segregation according to materials, in addition to providing a designated waste area at each department. Other waste management efforts we have carried out include regular project site audits and utilising technology to redesign packaging to reduce carbon footprint. We also seek to salvage, reuse and recycle as much as possible at VS.

Due to our ongoing initiatives, the volume of recycled waste at VS increased to 290 metric tonnes in FY2020, as compared to 229 metric tonnes in 2019.

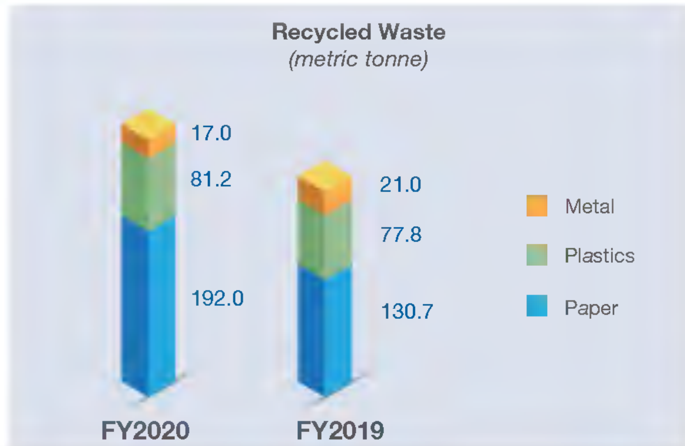


Diagram 16: Total waste recycled

NOISE POLLUTION CONTROL

We are aware that noise is an inevitable side effect of our manufacturing operations being an EMS provider. With that in mind, we are committed to monitor and control the levels of noise to mitigate the impact to our surrounding. This is reflected in the establishment of a Noise Emission Policy, which is managed by the Safety Department to ensure these noise levels are within the threshold permitted by DOE.

Even though our levels of noise are maintained below the threshold as permitted by the DOE, we have put in place firm internal controls to reduce noise pollution, including:

- Implemented engineering controls such as noise reducing specifications in our machineries;
- Equip employees with the necessary PPE such as hearing protection;
- Conducted periodic audiometry tests for machine operators to monitor risk of detrimental exposure to noise; and
- Conducted training programmes focusing on noise safety and hazards.

Apart from that, we also engage with an Environmental Consultant who is approved by the DOSH to perform periodic assessments on the Group's noise levels. In FY2020, six sites underwent the inspection and achieved 100% compliance with regulatory limits.

AIR EMISSIONS

Due to the nature of our manufacturing business, we do not generate significant amount of air emissions. However, we are still subjected to the regulatory standards set by the DOE pursuant to the Environmental Quality (Clean Air) Regulations 2014. Our Safety Department, together with the Energy Saving Committee, has the oversight on the Group's air emission levels to ensure compliance and set reduction targets.

Our manufacturing plants emit air through 4 chimneys located at VSI and VSE facilities. These chimneys are assessed on a regular basis with samples collected from each chimney to be analysed. In FY2020, the results from the assessment showed that the level of our emission were within DOE's limit.

Parameter	DOE Limit (mg/m^3)	Compliance	
		FY2020	FY2019
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 4: Air Emission Assessment Results

COMMUNITY CONTRIBUTIONS

We believe in doing the right thing, not just for the Group, but for the people and the surrounding communities of where we operate. It is our belief that as a responsible corporate citizen, we can play a significant role in enabling development and progress in the society.

Keeping this in mind, we seek to make a positive impact through investing in community development. During the year, we continued to make charitable contributions amounting to RM106,000 through our Corporate Social Responsibility ("CSR") initiatives.

RM106,000
Investment in CSR Initiatives in FY2020

Donation to Johor Cerebral Palsy Association

One of our CSR activities that took place in FY2020 was a donation for RM30,000 to Johor Cerebral Palsy Association ("JCPA") with the aim of assisting the association to sustain its operations. JCPA is a non-governmental organisation ("NGO") that cares and provides education and services for children and adults with Cerebral Palsy, a disorder caused by damage to the brain. At JCPA, the children and adults are provided with special education, rehabilitation skill training and sheltered workshops.

The Covid-19 pandemic continues to have an impact on people's health and livelihoods worldwide. Notwithstanding the disruptions, VS remains committed in supporting the communities with an outlay of approximately RM53,000 by donating 40,000 face masks and 1,500 face shields to several public institutions, namely 3 hospitals in Johor Bahru, Kulai District Police Headquarters, Senai Police Station and Kulai Municipal Council.

Donation of face masks and face shields

VS also took part in becoming a Core Sponsor for a Food Bank programme at Senai, Johor and contributed a total of RM23,000 in food supplies. The food bank is intended to provide timely assistance to the families in the B40 category, helping them during this difficult period, with some losing their source of income due to the MCO.

Core Sponsor for Food Bank programme

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 2020 (“FY2020”) 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 September 2020, 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"), 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 September 2020, 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.

In compliance with the requirements set forth in the Guidelines on Adequate Procedures to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009, the Anti-Corruption Framework Policy has been adopted as part of the Company's commitment against all forms of bribery and corruption. The Policy aims to set out the main principles, policies and guidelines upon which the Company practices in relation to anti-corruption.

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 nine (9) members with the composition as outlined below:

Directorate	Director(s)
Executive Chairman	Datuk Beh Kim Ling
Managing Director	Datuk Gan Sem Yam
Executive Director	Dato' Gan Tiong Sia Ng Yong Kang Beh Chern Wei (his alternate, Chong Chin Siong) 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.

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 re-appointment of Beh Chern Wei and Gan Pee Yong to the Board as Executive Directors on 1 July 2020, were part of the executive Board members' succession plan for a new generation of leaders of the Group.

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 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.

Currently, the Company has one (1) woman Director on the Board, namely Tan Pui Suang, following the demise of a female Executive Director, Datin Gan Chu Cheng on 19 March 2020.

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 Executive Directors to the Board during FY2020. The re-appointment of Beh Chern Wei and Gan Pee Yong to the Board as Executive Directors on 1 July 2020 was a part of the Board's succession planning for Executive Board members, to ensure continuity of leadership and promote talent development.

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

Part II Board Composition (Cont'd)

4 Board objectivity (Cont'd)

4.5 Diverse sources for new candidate(s) for Board appointment (Cont'd)

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

4.6 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*

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 development programmes attended by the Directors for disclosure in the CG Overview Statement 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.

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)

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.

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 FY2020, 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	4/4	-	-	-
Datuk Gan Sem Yam	4/4	-	-	-
Dato' Gan Tiong Sia	4/4	-	-	-
Ng Yong Kang	4/4	-	-	-
Diong Tai Pew	4/4	4/4	1/1	2/2
Tan Pui Suang	4/4	4/4	-	-
Dato' Chang Lik Sean	4/4	4/4	1/1	2/2

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

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

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

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

Training

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

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

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

Part II Board Composition (Cont'd)

5 Board Assessments (Cont'd)

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

Training (Cont'd)

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.

For the financial year ended 31 July 2020, the training programmes and seminars attended by the Directors are as follows:

Director	Training/Conference/Seminar
Datuk Beh Kim Ling	• Briefing on Section 17A MACC Act 2009
Datuk Gan Sem Yam	• Briefing on Section 17A MACC Act 2009
Dato' Gan Tiong Sia	• Briefing on Section 17A MACC Act 2009
Ng Yong Kang	• Briefing on Section 17A MACC Act 2009 • MACC Corporate Liability Act - Defence for Directors, Executives & Company
Beh Chern Wei	• Briefing on Section 17A MACC Act 2009 • MACC Corporate Liability Act - Defence for Directors, Executives & Company
Gan Pee Yong	• Briefing on Section 17A MACC Act 2009 • MACC Corporate Liability Act - Defence for Directors, Executives & Company
Diong Tai Pew	• Briefing on Section 17A MACC Act 2009 • Business Ethics: Mitigating Ethical Conflicts • Audit Quality Control for SMPs • Accounting for Restructuring & Discontinued Operations • Accounting for Basic Consolidation Procedures • Ethical Issues in Valuation • Audit Manual for Group Entities for Reviewers • A Walkthrough and Update of IFRS and SFRS
Tan Pui Suang	• Briefing on Section 17A MACC Act 2009 • SC's Audit Oversight Board Conversation with Audit Committee • Corporate Liability under Covid-19 • Zooming in on Business Continuity & Crisis Management • Restructuring for Resilience • What It Really Means to Be A Director • Covid-19 - Path to recovery
Dato' Chang Lik Sean	• Briefing on Section 17A MACC Act 2009
Chong Chin Siong	• Briefing on Section 17A MACC Act 2009 • MACC Corporate Liability Act - Defence for Directors, Executives & Company

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 remuneration for Non-Executive Directors consists of fixed annual Directors' fees. The determination of Directors' fees for all Directors shall be a matter for the Board as a whole.

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*

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

(a) Reviewed and recommended the fee structure and allowances for Directors.

(b) Reviewed and recommended the annual bonus and performance incentive for Executive Directors.

(c) Reviewed and recommended remuneration package of Executive Directors.

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

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

Part III Remuneration (Cont'd)

7 Remuneration of Directors and Senior management

7.1 Details of Directors' Remuneration

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

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

The remuneration received/receivable by the Directors of the Group and the Company for FY2020 is tabulated below:-

<u>**Group Level**</u>

Directors	Salaries and other emoluments[1] RM million	Fees RM million	Benefits-in-kind RM million	Incentives and share-based benefits[2] RM million	Total RM million
Executive Directors					
Datuk Beh Kim Ling	5.063	0.018	0.009	1.468	**6.558**
Datuk Gan Sem Yam	3.948	0.018	0.028	1.457	**5.451**
Dato' Gan Tiong Sia	2.429	0.107	0.028	1.475	**4.039**
Ng Yong Kang	1.529	0.010	0.028	0.738	**2.305**
Chong Chin Siong	1.000	0.006	0.024	0.752	**1.782**
Beh Chern Wei	0.945	0.009	0.002	0.761	**1.717**
Gan Pee Yong	0.918	0.010	0.028	0.761	**1.717**
Datin Gan Chu Cheng *	1.572	0.005	0.015	-	**1.592**
Non-Executive Directors					
Diong Tai Pew	-	0.287	-	-	**0.287**
Tan Pui Suang	-	0.108	-	-	**0.108**
Dato' Chang Lik Sean	-	0.144	-	-	**0.144**
Tang Sim Cheow **	-	0.037	-	-	**0.037**
Total	**17.404**	**0.759**	**0.162**	**7.412**	**25.737**

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

Part III Remuneration (Cont'd)

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

7.1 Details of Directors' Remuneration (Cont'd)

Company Level

Directors	Salaries and other emoluments[1] RM million	Fees RM million	Benefits-in-kind RM million	Incentives and share-based benefits[2] RM million	Total RM million
Executive Directors					
Datuk Beh Kim Ling	0.664	0.018	0.009	0.410	**1.101**
Datuk Gan Sem Yam	0.931	0.018	0.028	0.405	**1.382**
Dato' Gan Tiong Sia	0.539	0.010	0.028	0.414	**0.991**
Ng Yong Kang	1.529	0.010	0.028	0.738	**2.305**
Chong Chin Siong	1.000	0.006	0.024	0.752	**1.782**
Beh Chern Wei	0.502	0.009	0.002	0.761	**1.274**
Gan Pee Yong	0.623	0.010	0.028	0.761	**1.422**
Datin Gan Chu Cheng *	0.457	0.005	0.015	-	**0.477**
Non-Executive Directors					
Diong Tai Pew	-	0.158	-	-	**0.158**
Tan Pui Suang	-	0.108	-	-	**0.108**
Dato' Chang Lik Sean	-	0.144	-	-	**0.144**
Tang Sim Cheow **	-	0.037	-	-	**0.037**
Total	**6.245**	**0.533**	**0.162**	**4.241**	**11.181**

Note:

1 *This comprises bonus and contribution to state plans*
2 *This comprises performance incentive and equity settles share based transaction*
* *Demised on 19 March 2020*
** *Resigned on 31 October 2019*

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")

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 3-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 three (3) 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 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") (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.

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)

9.2 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.

9.3 Risk Management Committee

The ARMC assists the Board in ensuring adequate and effective risk management controls are in place.

The ARMC 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.

The risk management function is 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 37th AGM held in 2020 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 2021 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

All Directors of the Company had attended the Company's 37th AGM held on 3 January 2020.

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 20 November 2020.

ADDITIONAL COMPLIANCE INFORMATION

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

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

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

In preparing the financial statements, the Directors have:

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

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

(ii) Material Contracts

Other than the related party transactions entered into in the ordinary course of business as disclosed in Note 32 to the financial statements, there are no other material contracts entered into by the Group involving Directors' or major shareholders' interest, either subsisting at the end of the financial year ended 31 July 2020 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 2020 for services rendered by the Company's external auditors are as follows:-

Fee incurred	Audit Fees (RM'000)	Non-Audit Fees (RM'000)
Company	188	8
Group	361	22

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

(iv) Employees' Share Option Scheme

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, 30.76% of the options granted under the scheme have been granted to Directors and senior management.

During the financial year, 27.40% of the options have been granted to Directors and senior management.

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

At the Annual General Meeting held on 3 January 2020, 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 2019.

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 2020 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 Datuk Gan Sem Yam Dato' Gan Tiong Sia Beh Chern Wei (Ma Chengwei) Gan Pee Yong	Purchases of tooling, bins, resins, plastic component parts and equipments	1,077
VSI Group and Lip Sheng International Ltd / Lip Sheng Precision (Zhuhai) Co., Ltd	Datuk Gan Sem Yam Dato' Gan Tiong Sia Datuk Beh Kim Ling Beh Chern Wei (Ma Chengwei) Gan Pee Yong	Purchases of tooling / sales related to tooling fabrication and sales commission income	2,766
VSI Group and Beeantah Pte Ltd	Datuk Gan Sem Yam Gan Pee Yong	Purchases/sales of small metal parts, resins, etc	11,002

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)

Members - Tan Pui Suang
(Independent Non-Executive Director)

- Dato' Chang Lik Sean
(Independent Non-Executive Director)

MEETINGS

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

The Executive Directors, the representatives of the Internal Audit, the representatives of the external auditors, Messrs KPMG PLT, members of the management and employees of the Group were present as and when invited. The 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	4 of 4 meetings
Tan Pui Suang	4 of 4 meetings
Dato' Chang Lik Sean	4 of 4 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;

   - Reviewed the report on the verification of the allocation of option in relation to the Employees' Share Option Scheme conducted by the internal auditors to ensure compliance with the criteria for allocation of options pursuant to the scheme.

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.

5. **Risk Management**

   The Committee reviewed the risk management processes and deliberated on the reports submitted by the Risk Management Unit of the Company and the Statement on Risk Management and Internal Control to ensure that all necessary risk mitigation measures to address the critical risk areas have been or were being put in place.

   The Committee also reviewed the adequacy and effectiveness of the internal control system to ensure amongst others, that assets of the Company are safeguarded, reliability of financial reporting and compliance with applicable laws and regulations.

RISK MANAGEMENT PROCESS

As proper risk management is a significant component of a sound system of internal control, the Group has also put in place a risk management process to help the Board in identifying, evaluating and managing risks. The implementation and maintenance of the risk management process is carried out by the respective Risk Management Unit of the Group.

The review of the risk management processes and reports is delegated by the Board to the Committee. In this regards, annual risk management reports and the annual Statement on Risk Management and Internal Control are reviewed and deliberated by the Committee prior to recommending for endorsement by the Board.

A Statement on Risk Management and Internal Control which provides an overview of the state of internal controls within the Group is set out on pages 64 to 66 of this Annual Report.

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 RM1.17 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 review of the risk management and internal control reports and processes is delegated by the Board to the Audit and Risk Management Committee ("ARMC").

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 Internal Audit Department ("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 ARMC.

   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 ARMC 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.

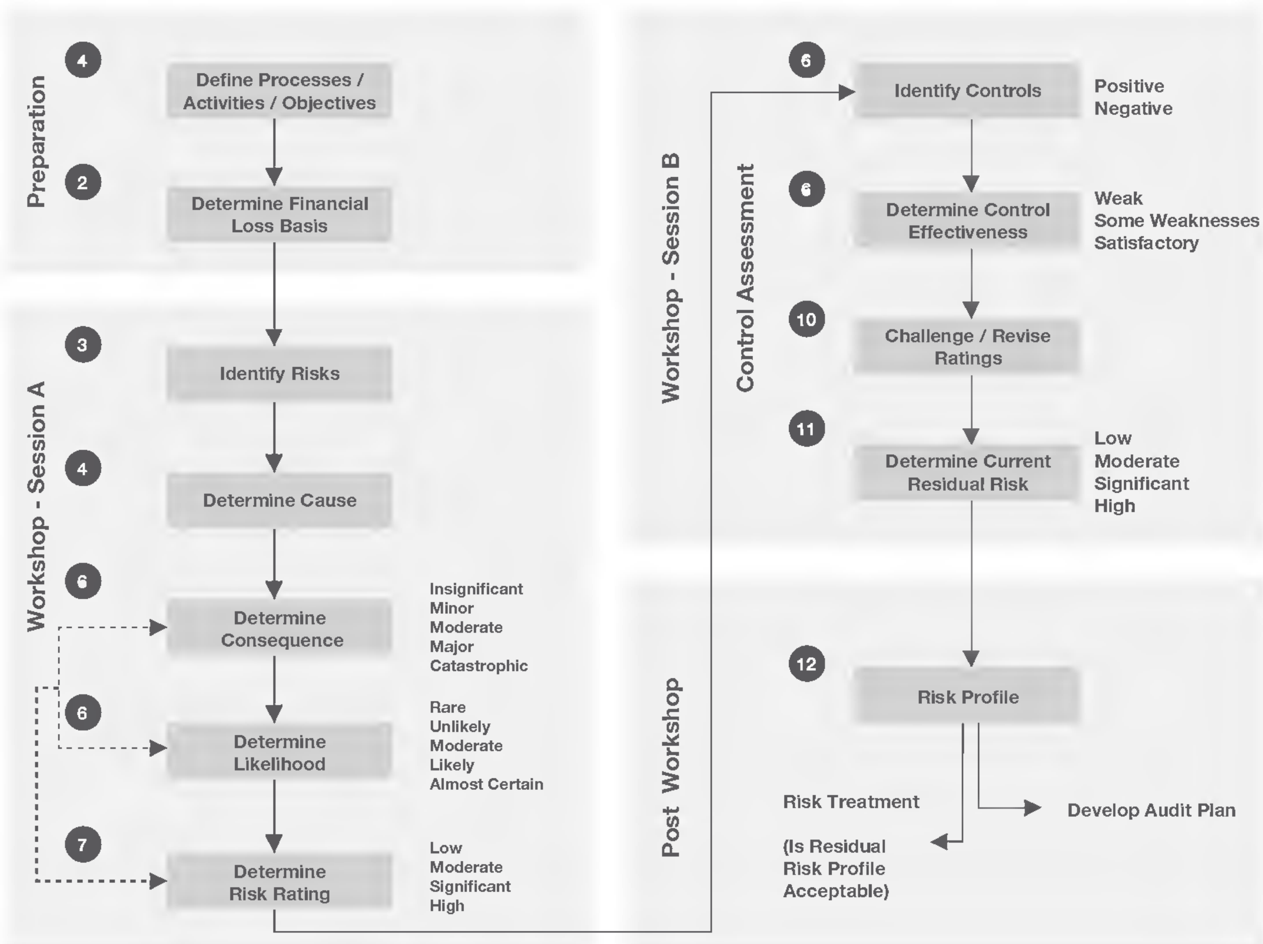
   This statement on Risk Management and Internal Control does not deal with associated companies as the Group does not have management control over their operations.

   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 ARMC 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.

KEY INTERNAL CONTROL PROCESSES (CONT'D)

3. **Risk Management (Cont'd)**

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

4. **Board Meetings**

   The Board and the ARMC 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 minimize the related financial impacts.

ASSURANCE FROM MANAGEMENT

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

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
For the year ended 31 July 2020

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 2020.

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	116,478	66,697
Non-controlling interests	(11,987)	--
	104,491	66,697

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 of the 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 2019:

- a fourth dividend of 0.8 sen per ordinary share totalling RM14,748,879 declared on 26 September 2020 and paid on 31 October 2020; and

- a final dividend of 0.8 sen per ordinary share totalling RM14,817,396 declared on 29 November 2020 and paid on 24 January 2020.

ii) In respect of the financial year ended 31 July 2020:

- a first dividend of 1.0 sen per ordinary share totalling RM18,530,490 declared on 12 December 2019 and paid on 6 March 2020; and

- a second dividend of 0.8 sen per ordinary share totalling RM15,042,132 declared on 26 September 2020 and paid on 30 October 2020.

DIVIDENDS (CONT'D)

The Directors recommended a final dividend of 0.8 sen per ordinary share totalling RM15,043,420 in respect of the year ended 31 July 2020 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

These financial statements do not reflect the second 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 2021.

DIRECTORS OF THE COMPANY

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

Directors	**Alternate**
Datuk Beh Kim Ling	
Datuk Gan Sem Yam	
Dato' Gan Tiong Sia	Mr. Beh Chern Wei (Ma Chengwei) *(resigned on 1 July 2020)*
Mr. Ng Yong Kang	Mr. Gan Pee Yong *(resigned on 1 July 2020)*
Mr. Diong Tai Pew	
Ms. Tan Pui Suang	
Dato' Chang Lik Sean	
Mr. Beh Chern Wei (Ma Chengwei) *(appointed on 1 July 2020)*	Mr. Chong Chin Siong *(appointed on 1 July 2020)*
Mr. Gan Pee Yong *(appointed on 1 July 2020)*	
Datin Gan Chu Cheng *(demised on 19 March 2020)*	Mr. Chong Chin Siong *(ceased on 19 March 2020)*

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 2019**	**Bought/ ESOS exercised**	**Sold**	**At 31 July 2020**
Company					
Ordinary shares					
Datuk Beh Kim Ling	Direct	144,213	4,738	--	148,951
	Deemed	193,258	5,074	--	198,332
Datuk Gan Sem Yam	Direct	85,178	--	--	85,178
	Deemed	23,083	--	--	23,083
Dato' Gan Tiong Sia	Direct	33,273	--	--	33,273
Mr. Ng Yong Kang	Direct	695	--	--	695
	Deemed	25	--	(25)	--
Dato' Chang Lik Sean	Deemed	100	450	(550)	--
Mr. Diong Tai Pew	Direct	100	--	--	100
Mr. Chong Chin Siong	Direct	2,800	200	(2,500)	500
	Deemed	300	--	--	300
Mr. Beh Chern Wei (Ma Chengwei)	Direct	21,000	1,350	--	22,350
Mr. Gan Pee Yong	Direct	10,583	--	--	10,583

		Number of ordinary shares ('000)			
Name of Directors	**Interest**	**At 1 August 2019**	**Bought**	**Sold**	**At 31 July 2020**
Subsidiaries					
- V.S. Ashin Technology Sdn. Bhd.					
Ordinary shares					
Datuk Beh Kim Ling	Deemed	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

DIRECTORS' INTERESTS IN SHARES (CONT'D)

Name of Directors	Interest	Number of ordinary shares ('000) At 1 August 2019	Bought	Sold	At 31 July 2020
Subsidiaries (Cont'd)					
- 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
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. Diong Tai Pew	Direct	1,766	--	--	1,766
Mr. Beh Chern Wei (Ma Chengwei)	Direct	27,000	--	--	27,000

Name of Directors	Interest	Number of shares ('000) At 1 August 2019	Bought	Sold	At 31 July 2020
- 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
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 2019	Bought	Sold	At 31 July 2020
- V.S. Investment Holdings Limited					
Ordinary shares of HKD1.00 each					
Datuk Beh Kim Ling	Direct	5	--	--	5
	Deemed	5	--	--	5
Datuk Gan Sem Yam	Direct	5	--	--	5

DIRECTORS' INTERESTS IN SHARES (CONT'D)

Name of Directors	Date of offer	Option Price	← Number of options ('000) over ordinary shares At 1 August 2019	Granted	Exercised	At 31 July 2020 →
Company						
Datuk Beh Kim Ling	12.5.2020	RM0.56	3,188	--	(3,188)	--
Mr. Beh Chern Wei (Ma Chengwei)	12.5.2020	RM0.56	250	--	(250)	--
Datuk Beh Kim Ling	2.7.2020	RM0.89	--	1,650	--	1,650
Datuk Gan Sem Yam	2.7.2020	RM0.89	--	1,650	--	1,650
Dato' Gan Tiong Sia	2.7.2020	RM0.89	--	1,650	--	1,650
Mr. Ng Yong Kang	2.7.2020	RM0.89	--	1,000	--	1,000
Mr. Chong Chin Siong	2.7.2020	RM0.89	--	1,000	--	1,000
Mr. Beh Chern Wei (Ma Chengwei)	2.7.2020	RM0.89	--	500	--	500
Mr. Gan Pee Yong	2.7.2020	RM0.89	--	500	--	500

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 32 to the financial statements.

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

ISSUE OF SHARES

During the financial year, the Company issued:

a) 15,183,675 new ordinary shares for cash totalling RM8,502,858 arising from the exercise of the employees' share options at an exercise price of RM0.56 per ordinary share;

b) 234,050 new ordinary shares for cash totalling RM266,817 arising from the exercise of the employees' share options at an exercise price of RM1.14 per ordinary share; and

c) 18,000,000 new ordinary shares totalling RM10,080,000 at the exercise price of RM0.56 per ordinary share under the shares held under trust as disclosed in Note 15 to the financial statements;

At the Annual General Meeting held on 3 January 2020, the shareholders of the Company renewed their approval for the Company to repurchase its own shares. During the financial year, the Company did not repurchase any ordinary shares.

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

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 2019**	**Granted/ (Exercised)**	**Forfeited**	**At 31 July 2020**
12 May 2015	RM0.56	31,712	(31,662)	(50)	--
28 February 2017	RM1.14	6,184	(4,718)	(1,466)	--
15 September 2017	RM1.78	875	--	(875)	--
02 July 2020	RM0.89	--	94,334	(247)	94,087
		38,771	57,954	(2,638)	94,087

The date of expiry of the option is 11 May 2025.

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 2020 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 22 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

20 November 2020

STATEMENTS OF FINANCIAL POSITION
As at 31 July 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	846,875	888,990	272,642	262,997
Right-of-use assets	4	98,575	--	--	--
Prepaid lease payments	5	--	76,137	--	--
Investments properties	6	6,500	1,200	--	--
Investments in subsidiaries	7	--	--	407,204	407,697
Investments in associates	8	67,754	64,619	60,000	60,000
Other investments	9	78,017	93,539	7,321	4,727
Prepayments	10	3,813	4,687	--	--
Deferred tax assets	11	5,059	3,575	--	--
Total non-current assets		1,106,593	1,132,747	747,167	735,421
Inventories	12	331,800	371,543	104,037	137,774
Contract assets	13	103,648	158,904	30,147	41,580
Trade and other receivables	10	884,372	994,784	331,341	423,294
Current tax assets		2,334	165	--	--
Dividends receivable		--	--	20,000	30,000
Cash and cash equivalents	14	404,512	379,457	31,378	41,028
Total current assets		1,726,666	1,904,853	516,903	673,676
Total assets		2,833,259	3,037,600	1,264,070	1,409,097
Equity					
Share capital	15	782,947	753,077	782,947	753,077
Reserves	15	926,069	853,389	106,691	83,072
Equity attributable to owners of the Company		1,709,016	1,606,466	889,638	836,149
Non-controlling interests	7	167,587	177,995	--	--
Total equity		1,876,603	1,784,461	889,638	836,149
Liabilities					
Loans and borrowings	16	27,997	66,904	9,104	35,760
Loan from a Director	17	23,614	10,347	--	--
Deferred tax liabilities	11	65,718	74,739	15,128	16,665
Total non-current liabilities		117,329	151,990	24,232	52,425
Liabilities					
Loans and borrowings	16	224,027	361,537	121,719	197,485
Trade and other payables	18	575,972	707,944	225,163	321,882
Contract liabilities	13	7,553	10,276	--	--
Due to Directors	17	2,384	4,322	--	--
Current tax liabilities		29,391	17,070	3,318	1,156
Total current liabilities		839,327	1,101,149	350,200	520,523
Total liabilities		956,656	1,253,139	374,432	572,948
Total equity and liabilities		2,833,259	3,037,600	1,264,070	1,409,097

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 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	19	3,243,192	3,978,350	1,299,779	1,839,884
Cost of sales		(2,921,880)	(3,607,924)	(1,225,062)	(1,725,721)
Gross profit		321,312	370,426	74,717	114,163
Other income		13,502	23,617	69,825	47,202
Distribution expenses		(22,633)	(24,693)	(3,337)	(4,373)
Administrative expenses		(126,109)	(132,942)	(40,805)	(35,840)
Other expenses		(24,735)	(33,339)	(20,327)	(11,094)
Results from operating activities		161,337	203,069	80,073	110,058
Finance income		7,029	8,012	1,067	1,636
Finance costs	20	(17,268)	(27,044)	(5,707)	(9,327)
Net finance costs		(10,239)	(19,032)	(4,640)	(7,691)
Operating profit		151,098	184,037	75,433	102,367
Share of profit/(loss) of equity accounted associates, net of tax		2,264	(2,181)	--	--
Profit before tax		153,362	181,856	75,433	102,367
Tax expense	21	(48,871)	(62,384)	(8,736)	(17,608)
Profit for the year	22	104,491	119,472	66,697	84,759
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		(20,941)	(80,472)	--	--
Revaluation of property, plant and equipment upon transfer of properties to investment properties		82	--	--	--
		(20,859)	(80,472)	--	--
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		20,760	14,252	--	--
Remeasurement of actuarial gain		87	210	--	--
Share of other comprehensive income of equity accounted associates		871	--	--	--
		21,718	14,462	--	--
Other comprehensive income/(expense) for the year, net of tax		859	(66,010)	--	--
Total comprehensive income for the year		105,350	53,462	66,697	84,759

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 2020

(Cont'd)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit attributable to:					
Owners of the Company		116,478	165,394	66,697	84,759
Non-controlling interests		(11,987)	(45,922)	--	--
Profit for the year		104,491	119,472	66,697	84,759
Total comprehensive income attributable to:					
Owners of the Company		115,758	98,582	66,697	84,759
Non-controlling interests		(10,408)	(45,120)	--	--
Total comprehensive income for the year		105,350	53,462	66,697	84,759
Basic earnings per ordinary share (sen)	23	6.30	9.28		
Diluted earnings per ordinary share (sen)	23	6.19	9.19		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2020

		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
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	15												
- 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	24	--	--	--	--	--	--	--	--	(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 2020

(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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2020

(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 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
Foreign currency translation differences for foreign operation		--	--	--	19,181	--	--	--	--	--	19,181	1,579	20,760
Remeasurement of actuarial gain		--	--	--	--	--	--	--	--	87	87	--	87
Net change in fair value of equity instrument designated at FVOCI		--	--	--	--	--	(20,941)	--	--	--	(20,941)	--	(20,941)
Revaluation of property, plant and equipment upon transfer of properties to investment properties		--	--	82	--	--	--	--	--	--	82	--	82
Share of other comprehensive income of equity accounted associates		--	--	--	871	--	--	--	--	--	871	--	871
Total other comprehensive income/(expense) for the year		--	--	82	20,052	--	(20,941)	--	--	87	(720)	1,579	859
Profit for the year		--	--	--	--	--	--	--	--	116,478	116,478	(11,987)	104,491
Total comprehensive income/ (expense) for the year		--	--	82	20,052	--	(20,941)	--	--	116,565	115,758	(10,408)	105,350
Contributions by and distributions to owners of the Company													
Equity settled share based transaction	15												
- Share option granted		--	--	--	--	--	--	9,270	--	--	9,270	--	9,270
- Share option exercised		11,020	(5,110)	--	--	--	--	(5,910)	--	--	--	--	--
- Shares issued pursuant to ESOS		8,770	10,080	--	--	--	--	--	--	--	18,850	--	18,850
- Shares issued pursuant to ESOS Trust Funding ("ETF")		10,080	(3,311)	--	--	--	--	--	--	--	6,769	--	6,769
Dividends to owners of the Company	24	--	--	--	--	--	--	--	--	(48,097)	(48,097)	--	(48,097)
Total transactions with owners of the Group		29,870	1,659	--	--	--	--	3,360	--	(48,097)	(13,208)	--	(13,208)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2020

(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
Transferred from retained earnings	--	--	--	--	164	--	--	--	(164)	--	--	--
Realisation of revaluation reserve	--	--	(2,219)	--	--	--	--	--	2,219	--	--	--
At 31 July 2020	782,947	--	54,328	78,552	10,372	(26,205)	8,656	(4,979)	805,345	1,709,016	167,587	1,876,603

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 July 2020

		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	15							
- 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	24	--	--	--	--	--	(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.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 July 2020
(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 2019		753,077	(1,659)	27,334	5,484	(4,979)	56,892	836,149
Profit for the year/ **Total comprehensive income for the year**		--	--	--	--	--	66,697	66,697
Contributions by and distributions to owners of the Company								
Equity settled share-based transaction	15							
- Share option granted		--	--	--	9,270	--	--	9,270
- Share option exercised		11,020	(5,110)	--	(5,910)	--	--	--
- Shares issued pursuant to ESOS		8,770	10,080	--	--	--	--	18,850
- Shares issued pursuant to ESOS Trust Funding ("ETF")		10,080	(3,311)	--	--	--	--	6,769
Dividends to owners of the Company	24	--	--	--	--	--	(48,097)	(48,097)
Total transactions with owners of the Company		29,870	1,659	--	3,360	--	(48,097)	(13,208)
Realisation of revaluation reserve		--	--	(605)	--	--	605	--
At 31 July 2020		782,947	--	26,729	8,844	(4,979)	76,097	889,638

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

STATEMENTS OF CASH FLOWS

For the year ended 31 July 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from operating activities					
Profit before tax		153,362	181,856	75,433	102,367
Adjustments for:					
Amortisation of prepaid lease payments	5	--	2,159	--	--
Depreciation of:					
- Property, plant and equipment		89,097	97,024	25,892	20,311
- Right-of-use assets		2,718	--	--	--
Dividend income		--	--	--	(2,000)
Equity settled share-based transactions	15	9,270	1,575	4,503	734
Finance costs	20	16,459	25,566	5,513	9,202
Property, plant and equipment:					
- (Gain)/Loss on disposal		(1,554)	5,368	(52)	(548)
- Written off		904	45	--	--
Write down of obsolete and slow moving inventories		14,500	10,777	3,044	901
Impairment loss on:					
- Trade receivables		2,608	603	--	--
- Investments in subsidiaries		--	--	18,126	11,094
- Property, plant and equipment		16,124	22,068	--	--
Finance income		(7,029)	(8,012)	(1,067)	(1,636)
Share of (profit)/loss of equity accounted associates		(2,264)	2,181	--	--
Refund of investment cost from an associate		--	(7,850)	--	(7,850)
Unrealised gain on foreign exchange		(473)	(2,083)	(862)	(2,122)
Loss on disposal of a subsidiary	26	--	3,002	--	--
Operating profit before changes in working capital		293,722	334,279	130,530	130,453
Change in inventories		25,243	12,654	30,693	(26,136)
Change in contract assets		55,256	11,858	11,433	7,299
Change in contract liabilities		(2,723)	2,211	--	--
Change in trade and other receivables		112,917	(57,589)	95,635	(55,045)
Change in trade and other payables		(119,529)	(34,651)	(67,220)	(3,072)
Cash generated from operations		364,886	268,762	201,071	53,499
Interest received		7,029	8,012	1,067	1,636
Tax paid		(49,234)	(52,361)	(5,799)	(12,034)
Net cash from operating activities		322,681	224,413	196,339	43,101

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

STATEMENTS OF CASH FLOWS

For the year ended 31 July 2020

(Cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from investing activities					
Acquisition of:					
- property, plant and equipment	25	(115,611)	(117,025)	(54,791)	(68,907)
- right-of-use assets		(4,985)	--	--	--
- investments in subsidiaries		--	--	(12,866)	(25,169)
- other investments		(5,419)	(25,707)	(2,594)	--
- prepayments		874	6,236	--	--
Proceed from disposal of:					
- a subsidiary net of cash and cash equivalent disposal	26	--	15,858	--	--
- property, plant and equipment		13,417	10,725	285	820
Changes in pledged deposits		2,850	946	--	--
Refund of investment cost from an associate		--	5,000	--	5,000
Dividend received from an associate		--	2,000	--	2,000
Net cash used in investing activities		(108,874)	(101,967)	(69,966)	(86,256)
Cash flows from financing activities					
Repayment of term loans		(34,641)	(63,867)	(26,227)	(21,920)
Drawdown of term loans		--	12,410	--	12,410
Repayments of finance lease liabilities		--	(7,346)	--	(530)
Repayments of hire purchase liabilities		(11,829)	--	(569)	--
Net drawdown from short term borrowings		(126,784)	(164,693)	(76,126)	(10,624)
Interest paid		(16,601)	(25,828)	(5,513)	(9,202)
Loan from a Director		13,267	10,347	--	--
Proceeds from issuance of shares		20,509	143,450	20,509	143,450
Dividend paid to owners of the Company		(48,097)	(71,892)	(48,097)	(71,892)
Repurchase of treasury shares		--	(3,187)	--	(3,187)
Net cash (used in)/from financing activities		(204,176)	(170,606)	(136,023)	38,505
Exchange differences on translation of the financial statements of foreign operations		19,181	12,458	--	--
Net increase/(decrease) in cash and cash equivalents		28,812	(35,702)	(9,650)	(4,650)
Cash and cash equivalents at 1 August		329,640	362,849	41,028	45,678
Effect of exchange rate fluctuation on cash held		2,756	2,493	--	--
Cash and cash equivalents at 31 July	14	361,208	329,640	31,378	41,028
Cash outflows for leases as a lessee					
Included in net cash from operating activities					
Payment related to short-term leases/ **Total cash outflows for leases**	22	9,014	--	8,626	--

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

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

	At 31 July 2019 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1 August 2019 RM'000	Net changes from financing cash flows RM'000	Hire purchase liabilities obtained during the year RM'000	At 31 July 2020 RM'000
Group						
Term loans	89,809	--	89,809	(34,641)	--	55,168
Finance lease liabilities	24,525	(24,525)	--	--	--	--
Hire purchase liabilities	--	24,525	24,525	(11,829)	500	13,196
Trust receipts	183,333	--	183,333	(74,569)	--	108,764
Short term loan	51,527	--	51,527	761	--	52,288
Bankers' acceptances	69,379	--	69,379	(52,976)	--	16,403
Loan from a Director (Note 17)	10,347	--	10,347	13,267	--	23,614
Total liabilities from financing activities	428,920	--	428,920	(159,987)	500	269,433
Company						
Term loans	60,945	--	60,945	(26,227)	--	34,718
Finance lease liabilities	2,172	(2,172)	--	--	--	--
Hire purchase liabilities	--	2,172	2,172	(569)	500	2,103
Trust receipts	105,414	--	105,414	(27,815)	--	77,599
Bankers' acceptances	64,714	--	64,714	(48,311)	--	16,403
Total liabilities from financing activities	233,245	--	233,245	(102,922)	500	130,823

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

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

	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
Bankers' acceptances	131,923	(62,544)	--	--	69,379
Loan from a Director (Note 17)	--	10,347	--	--	10,347
Revolving credits	15,000	(15,000)	--	--	--
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
Bankers' acceptances	101,698	(36,984)	--	--	64,714
Revolving credits	15,000	(15,000)	--	--	--
Total liabilities from financing activities	252,950	(20,664)	129	830	233,245

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

V. S. Industry Berhad is a public limited liability company, incorporated and domiciled in Malaysia and 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 2020 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 2020 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 20 November 2020.

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 of the MFRSs 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 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*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

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

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

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 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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 accounting standards, interpretations and amendments in the respective financial year when the above accounting standards, interpretations and amendments become effective, if applicable.

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 upon their first adoption.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements

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

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

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

- Note 3 - Property, plant and equipment
- Note 7 - Investments in subsidiaries
- Note 12 - Inventories
- Note 29 - Measurement of expected credit loss

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 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. There is no significant financial impact on the adoption of MFRS 16 except for leasehold land and hire purchase arrangements that was previously classified as prepaid lease payments and finance lease liabilities under MFRS 117 are now classified as right-of-use assets and hire purchase liabilities.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(v) Associates (Cont'd)

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(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.

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 buildings 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. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The 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:

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) Leases

The Group has applied MFRS 16 using the modified retrospective approach with no cumulative effect recognised in the retained earnings at 1 August 2019. Accordingly, the comparative information presented for 31 July 2019 has not been restated - i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(i) Definition of a lease (Cont'd)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

(e) **Leases (Cont'd)**

Current financial year (Cont'd)

(ii) **Recognition and initial measurement (Cont'd)**

(b) **As a lessor**

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) **Subsequent measurement**

(a) **As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) **As a lessor**

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* (see Note 2(l)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

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

(ii) Operating lease

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

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

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

(f) Intangible assets

(i) Goodwill

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

(ii) Intangible assets

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

(iii) Amortisation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or right-of-use asset held under a lease contract 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 which are owned are measured initially at cost. 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. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Subsequently, investment properties are measured 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.

The fair value of investment properties held by the Group as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, the Group added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

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 of property, plant and equipment. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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/individual assessment 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(ii) Other assets (Cont'd)

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

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

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

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

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

(m) Equity instruments

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

(i) Issue expenses

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

(ii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Equity instruments (Cont'd)

(iii) Repurchase, disposal and reissue of share capital (treasury shares) (Cont'd)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Borrowing costs (Cont'd)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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 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	6	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, as previously reported		519,259	992,809	96,426	26,537	33,389	1,668,420
Adjustment on initial application of MFRS 16		(19,636)	--	--	--	--	(19,636)
At 1 August 2019, as restated		499,623	992,809	96,426	26,537	33,389	1,648,784
Additions		11,837	63,510	1,746	1,284	14,874	93,251
Transfer		23,673	4,151	--	--	(27,824)	--
Transfer to investment properties:							
- Revaluation of property transferred		91	--	--	--	--	91
- Offset of accumulated depreciation		(90)	--	(744)	--	--	(834)
- Transfer of carrying amount	6	(2,326)	--	(2,974)	--	--	(5,300)
Disposals		--	(98,961)	(106)	(2,311)	--	(101,378)
Written off		--	(3,087)	(1,441)	--	--	(4,528)
Exchange differences		4,606	8,202	932	178	48	13,966
At 31 July 2020		537,414	966,624	93,839	25,688	20,487	1,644,052
Representing items at:							
Cost		152,369	966,624	93,839	25,688	20,487	1,259,007
Directors' valuation - 2017		385,045	--	--	--	--	385,045
		537,414	966,624	93,839	25,688	20,487	1,644,052
Accumulated depreciation							
At 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, as previously reported		32,556	637,380	65,730	17,845	--	753,511
Adjustment on initial application of MFRS 16		(718)	--	--	--	--	(718)
At 1 August 2019, as restated		31,838	637,380	65,730	17,845	--	752,793
Depreciation charge		16,128	62,561	7,703	2,705	--	89,097
Offset of accumulated depreciation on property transferred to investment properties		(90)	--	(744)	--	--	(834)
Disposals		--	(80,575)	(99)	(2,057)	--	(82,731)
Written off		--	(2,837)	(787)	--	--	(3,624)
Exchange differences		467	5,463	735	139	--	6,804
At 31 July 2020		48,343	621,992	72,538	18,632	--	761,505

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
Group						
Accumulated impairment losses						
At 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 2019/1 August 2019	3,000	20,294	2,625	--	--	25,919
Impairment loss	--	14,723	908	493	--	16,124
Disposal	--	(6,784)	--	--	--	(6,784)
Exchange differences	--	371	36	6	--	413
At 31 July 2020	3,000	28,604	3,569	499	--	35,672
Carrying amounts						
At 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
At 31 July 2020	486,071	316,028	17,732	6,557	20,487	846,875
Company						
At cost/valuation						
At 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 2019/1 August 2019	143,883	175,729	18,771	10,204	20,247	368,834
Additions	4,579	25,422	1,061	1,037	3,663	35,762
Disposals	--	(663)	(7)	(83)	--	(753)
Written off	--	(3)	(169)	--	--	(172)
Net transfer from subsidiaries	--	5	(1)	--	--	4
Transfer	23,673	--	--	--	(23,673)	--
At 31 July 2020	172,135	200,490	19,655	11,158	237	403,675
Representing items at:						
Cost	98,265	200,490	19,655	11,158	237	329,805
Directors' valuation - 2017	73,870	--	--	--	--	73,870
	172,135	200,490	19,655	11,158	237	403,675

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						
Accumulated depreciation						
At 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 2019/1 August 2019	5,864	81,610	13,329	5,034	--	105,837
Depreciation charge	4,836	17,499	2,022	1,535	--	25,892
Disposals	--	(491)	(2)	(27)	--	(520)
Written off	--	(1)	(169)	--	--	(170)
Net transfer from subsidiaries	--	(4)	(2)	--	--	(6)
At 31 July 2020	10,700	98,613	15,178	6,542	--	131,033
Carrying amounts						
At 1 August 2018	124,236	53,934	5,834	4,047	9,328	197,379
At 31 July 2019/1 August 2019	138,019	94,119	5,442	5,170	20,247	262,997
At 31 July 2020	161,435	101,877	4,477	4,616	237	272,642

3.1 Carrying amounts of land and buildings

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At valuation				
Land	32,099	49,864	22,570	22,570
Buildings	320,356	328,608	47,025	48,450
At cost				
Land	40,465	42,255	27,040	27,040
Buildings	93,151	62,976	64,800	39,959
	486,071	483,703	161,435	138,019

3.2 Carrying amounts by geographical area

	Group	
	2020 RM'000	2019 RM'000
Malaysia	548,897	546,911
China	241,944	281,544
Others	56,034	60,535
	846,875	888,990

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

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	44,579	22,570
Buildings	340,466	51,300
	385,045	73,870

Level 3 fair value

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

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

3.4 Leased plant and machinery and motor vehicles

At 31 July 2019, the net carrying amount of the plant and machinery and motor vehicles of the Group and of the Company under finance lease agreement was RM38,777,000 and RM3,004,000 respectively.

3.5 Security

At 31 July 2020, the carrying amount of the plant and machinery and motor vehicles of the Group and of the Company pledged for hire purchase liabilities is RM24,360,000 and RM2,258,000 respectively.

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

3.6 Impairment loss

During the financial year, a subsidiary namely, V.S. Technology Industry Park (Zhuhai) Co., Ltd. ceased its operation of certain manufacturing lines which were not expected to be used in production in the future. As a result, the Group has assessed the recoverable amount of the plant and machineries of certain manufacturing lines in the People's Republic of China and recognised an impairment loss of RM16.1 million.

In 2019, 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.

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

3.7 Transfer to investment properties

During the financial year, a property was transferred to investment properties because it was no longer used by the Group and it is leased to a third party.

Immediately before the transfer, the Group remeasured the property at fair value and recognised a net gain of RM81,555 in other comprehensive income. The valuation techniques and significant unobservable inputs used in measuring the fair value of the property at the date of transfer are disclosed in Note 6.

3.8 Others

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Land	15,536	22,843	11,717	11,717
Buildings	109,464	105,555	23,168	23,840
	125,000	128,398	34,885	35,557

Motor vehicles of the Group and of the Company with carrying amount of RM3,495,000 (2019: RM2,417,000) and RM3,495,000 (2019: RM2,368,000) 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 RM142,000 (2019: RM262,000) at a rate of 4.8% (2019: 5.40%) per annum.

4. RIGHT-OF-USE ASSETS

	Land RM'000
Group	
At cost/valuation	
At 1 August 2019	95,055
Additions	4,985
Depreciation	(2,718)
Exchange differences	1,253
At 31 July 2020	98,575
Representing item at:	
Cost	79,693
Valuation	18,882
	98,575

The Group leases land that run for 30 - 81 years. The leases have been prepaid by the Group entities.

4.1 Fair value information

Fair value of land is categorised as follows:

	Level 3 RM'000
2017	
Land	19,889

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: RM30 to RM60	• The estimated fair value would increase (decrease) if the price per square foot is higher (lower).

Valuation processes applied by the Group for Level 3 fair value

Land are stated at Directors' valuation based on independent professional valuations carried out as at 31 July 2017.

4. RIGHT-OF-USE ASSETS (CONT'D)

4.2 Others

Had the land been carried at cost model, their carrying amounts would have been RM8,293,000.

4.3 Security

As at 1 August 2019, the carrying amount of right-of-use assets of certain subsidiaries of RM64,816,000 were pledged as security for banking facilities granted to the said subsidiaries (see Note 16). Such securities were released during the financial year ended 31 July 2020 upon the repayment of the relevant bank loans.

5. PREPAID LEASE PAYMENTS

	Land RM'000
Group	
At cost	
At 1 August 2018	90,911
Exchange differences	809
At 31 July 2019, as previously reported	91,720
Adjustment on initial application of MFRS 16	(91,720)
At 1 August 2019, as restated/31 July 2020	--
Accumulated amortisation	
At 1 August 2018	13,336
Amortisation charge	2,159
Exchange differences	88
At 31 July 2019, as previously reported	15,583
Adjustment on initial application of MFRS 16	(15,583)
At 1 August 2019, as restated/31 July 2020	--
Carrying amounts	
At 1 August 2018	77,575
At 31 July 2019	76,137
At 31 July 2020	--

At 31 July 2019, the carrying amount of prepaid lease payments of certain subsidiaries with carrying amount of RM64,816,000 were pledged as security for banking facilities granted to the said subsidiaries (see Note 16).

6. INVESTMENT PROPERTIES

	Group	
	2020 RM'000	**2019 RM'000**
At 1 August	1,200	4,900
Transfer from/(to) property, plant and equipment (see Note 3)	5,300	(3,700)
At 31 July	6,500	1,200

During the financial year, a property was transferred from property, plant and equipment to investment properties (see Note 3) because the property was no longer used by the Group and it is leased to a third party.

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

	Group	
	2020 RM'000	**2019 RM'000**
Rental income	271	47
Direct operating expenses:		
- income generating investment properties	14	5

6.1 Fair value information

Fair value of investment properties are categorised as follows:

	Level 3	
	2020 RM'000	**2019 RM'000**
Group		
Land	2,030	730
Buildings	4,470	470
	6,500	1,200

6. INVESTMENT PROPERTIES (CONT'D)

6.1 Fair value information (Cont'd)

Level 3 fair value

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

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method:		
Sales price of comparable land in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.	• Price per square foot: RM51 to RM415.	• The estimated fair value would increase (decrease) if the price per square foot is higher (lower).
Building is determined based on depreciated replacement cost. Estimated cost of construction of the buildings is based on current market price.	• Price per square foot: RM89 to RM151.	

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 2020 by independent professional valuers.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Cost of investment	443,086	425,453
Less: Impairment loss	(35,882)	(17,756)
	407,204	407,697

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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 2020 %	2019 %
V.S. Plus Sdn. Bhd.	Malaysia	Manufacturing, assembly 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
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	Manufacturer of 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	People's Republic of China/ Cayman Islands	Investment holding	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 2020 %	2019 %
Subsidiaries of V.S. International Group Limited®				
V.S. International Industry Limited	People's Republic of China/British Virgin Islands	Investment holding	43.34	43.34
V.S. Investment Holdings Limited	People's Republic of China/British Virgin Islands	Dormant	43.34	43.34
V.S. Corporation (Hong Kong) Co., Limited	People's Republic of China/ 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
Haivs Industry (Qingdao) Co., Ltd.	People's Republic of China	Investment holding	43.34	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	People's Republic of China/ 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	Vietnam/ British Virgin Islands	Investment holding	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 2020 %	2019 %
***Subsidiaries of V.S. International Group Limited*[@] (Cont'd)**				
V.S. Industry Holding Limited	People's Republic of China/ 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	People's Republic of China/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
***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
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

@ *Not audited by KPMG PLT*
^ *Struck off during the year*

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. INVESTMENTS IN SUBSIDIARIES (CONT'D)

7.1 Non-controlling interests in subsidiaries

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

	2020		
	V. S. International Group Limited	Other subsidiaries with immaterial NCI	Total
NCI percentage of ownership interest and voting interest	56.66%		
	RM'000	**RM'000**	**RM'000**
Carrying amount of NCI	168,157	(570)	167,587
Loss allocated to NCI	(11,929)	(58)	(11,987)

	2019		
	V. S. International Group Limited	Other subsidiaries with immaterial NCI	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)

	Group	
	2020 RM'000	2019 RM'000
V. S. International Group Limited		
Summarised financial information before intra-group elimination		
As at 31 July		
Non-current assets	312,152	354,173
Current assets	178,448	194,641
Non-current liabilities	(54,129)	(44,340)
Current liabilities	(139,689)	(186,789)
Net assets	296,782	317,685
Year ended 31 July		
Revenue	288,769	392,506
Loss for the year	(23,155)	(80,954)
Total comprehensive expense	(23,155)	(80,954)
Cash flows from operating activities	42,499	26,747
Cash flows from investing activities	2,941	18,529
Cash flows used in financing activities	(21,889)	(52,555)
Net increase/(decrease) in cash and cash equivalents	23,551	(7,279)
Dividends paid to NCI	--	--

8. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Investment in shares	92,198	92,198	76,623	76,623
Share of post-acquisition reserves	(12,793)	(15,928)	--	--
Less: Impairment loss	(11,651)	(11,651)	(16,623)	(16,623)
	67,754	64,619	60,000	60,000

8. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of associates are as follows:

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest	
			2020 %	2019 %
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	10.54	10.54
NEP Holdings (Malaysia) Berhad	Malaysia	Designing, manufacturing and distributing water filtration systems	20.00	20.00

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:

	NEP Holdings (Malaysia) Berhad	
	2020 RM'000	2019 RM'000
Group		
Summarised financial information		
As at 30 June		
Non-current assets	85,317	73,032
Current assets	346,786	201,908
Non-current liabilities	(10,150)	(9,230)
Current liabilities	(201,983)	(71,759)
Net assets	219,970	193,951
Year ended 30 June		
Profit from continuing operations/Total comprehensive income	20,207	17,928
Included in the total comprehensive income is:		
Revenue	252,143	220,524

8. INVESTMENTS IN ASSOCIATES (CONT'D)

	NEP Holdings (Malaysia) Berhad	
	2020 RM'000	**2019 RM'000**
Reconciliation of net assets to carrying amount		
As at 30 June		
Group's share of net assets	43,994	40,859
Goodwill	23,760	23,760
Carrying amount in statement of financial position	67,754	64,619
Group's share of results		
Year ended 30 June		
Group's share of profit/(loss) and total comprehensive income/(expense)	2,264	(2,181)
Other information		
Dividends received by the Group	--	2,000
Refund of investment cost from an associate	--	7,850

The comparative figures have been restated to reflect the latest financial information of the associate.

9. OTHER INVESTMENTS

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fair value through other comprehensive income/				
Shares	78,017	93,539	7,321	4,727

9.1 Equity investment designated at fair value through other comprehensive income

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		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current				
Prepayments	24,410	25,087	--	--
Less: Impairment loss	(20,597)	(20,400)	--	--
	3,813	4,687	--	--
Current				
Trade receivables	823,869	928,845	194,123	365,031
Other receivables, deposits and prepayments	59,458	65,939	23,513	29,441
Due from associates				
- trade	1,045	--	--	--
Due from subsidiaries				
- trade	--	--	110,085	21,189
- non-trade	--	--	3,620	7,633
	884,372	994,784	331,341	423,294
	888,185	999,471	331,341	423,294

Included in the non-current prepayments were prepayment of CNY34.0 million (approximately RM20.6 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 RM26.7 million) subject to the fulfilment of certain conditions set out therein. Upon completion of the acquisition, the Group will be entitled to an option for an exercisable period of 3 months to acquire the remaining 80% equity interest of the said company at its sole discretion.

On 1 November 2015, the agreement lapsed as certain conditions set out in the agreement had not been fulfilled. The Group has been in discussions with the vendor regarding the full refund of the prepayment of CNY34.0 million (approximately RM20.6 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 and the case will be tried on 16 November 2021.

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group						
Property, plant and equipment						
- capital allowances	--	--	(28,637)	(28,380)	(28,637)	(28,380)
- revaluation	--	--	(15,261)	(16,469)	(15,261)	(16,469)
- fair value adjustments	--	--	(26,415)	(26,415)	(26,415)	(26,415)
Contract assets	--	--	(4,359)	(4,817)	(4,359)	(4,817)
Deductible temporary differences	13,309	4,917	--	--	13,309	4,917
Others	704	--	--	--	704	--
Tax assets/(liabilities)	14,013	4,917	(74,672)	(76,081)	(60,659)	(71,164)
Set off of tax	(8,954)	(1,342)	8,954	1,342	--	--
Net tax assets/(liabilities)	5,059	3,575	(65,718)	(74,739)	(60,659)	(71,164)

	Company	
	2020 RM'000	2019 RM'000
Property, plant and equipment		
- capital allowances	(11,332)	(10,917)
- revaluation	(6,151)	(6,342)
Contract assets	(280)	(724)
Deductible temporary differences	2,635	1,318
	(15,128)	(16,665)

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

Movement in temporary differences during the year:

	At 1.8.2019 RM'000	Recognised in profit or loss (Note 21) RM'000	Revaluation RM'000	Exchange differences RM'000	At 31.7.2020 RM'000
Group					
Property, plant and equipment					
- capital allowances	(28,380)	(4)	--	(253)	(28,637)
- revaluation	(16,469)	1,582	(9)	(365)	(15,261)
- fair value adjustments	(26,415)	--	--	--	(26,415)
Contract assets	(4,817)	530	--	(72)	(4,359)
Deductible temporary differences	4,917	8,319	--	73	13,309
Others	--	704	--	--	704
	(71,164)	11,131	(9)	(617)	(60,659)

	At 1.8.2018 RM'000	Recognised in profit or loss (Note 21) 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 1.8.2019 RM'000	Recognised in profit or loss (Note 21) RM'000	At 31.7.2020 RM'000
Company			
Property, plant and equipment			
- capital allowance	(10,917)	(415)	(11,332)
- revaluation	(6,342)	191	(6,151)
Contract assets	(724)	444	(280)
Deductible temporary differences	1,318	1,317	2,635
	(16,665)	1,537	(15,128)

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

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

	At 1.8.2018 RM'000	Recognised in profit or loss (Note 21) 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)

Unrecognised deferred tax assets

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

	Group	
	2020 RM'000	2019 RM'000
Unutilised tax losses		
- China entities (see Note (a) below)	65,829	76,571
- Malaysia entities (see Note (b) below)	12,920	12,920
	78,749	89,491

(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. The unutilised tax losses will expire between year 2021 and 2025.

(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 therefrom.

12. INVENTORIES

	Malaysia RM'000	China RM'000	Others RM'000	Total RM'000
Group				
2020				
Raw materials	263,013	7,093	33,614	303,720
Work-in-progress	1,212	2,207	2,548	5,967
Finished goods	1,870	5,638	4,515	12,023
Packing materials	10,090	--	--	10,090
	276,185	14,938	40,677	331,800
Recognised in profit or loss:				
- Inventories recognised as cost of sales	2,280,432	251,229	375,719	2,907,380
- Write down of obsolete and slow-moving inventories	5,901	5,626	2,973	14,500
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

	Company	
	2020 RM'000	**2019 RM'000**
Raw materials	93,947	116,687
Packaging materials	10,090	21,087
	104,037	137,774
Recognised in profit or loss:		
- Inventories recognised as cost of sales	1,222,018	1,724,820
- Write down of obsolete and slow-moving inventories	3,044	901

13. CONTRACT ASSETS/(LIABILITIES)

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Contract assets	103,648	158,904	30,147	41,580
Contract liabilities	(7,553)	(10,276)	--	--

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash and bank balances	366,923	323,612	31,169	40,825
Fixed deposits with licensed banks	37,589	55,845	209	203
Cash and cash equivalent in the statements of financial position	404,512	379,457	31,378	41,028
Less: Pledged deposits	(37,099)	(39,949)	--	--
Bank overdrafts	(6,205)	(9,868)	--	--
Cash and cash equivalents in the statements of cash flows	361,208	329,640	31,378	41,028

Included in the deposits placed with licensed banks of the Group is RM37,099,000 (2019: RM39,949,000) pledged for bank facilities granted to certain subsidiaries.

15. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2020 RM'000	2019 RM'000	2020 '000	2019 '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares:				
At 1 August	753,077	603,303	1,831,326	1,697,151
Shares issued under ESOS	8,770	13,182	15,418	23,472
Shares held under trust	10,080	11,480	18,000	20,500
Share options exercised	11,020	6,044	--	--
Conversion of Warrants	--	119,068	--	90,203
At 31 July	782,947	753,077	1,864,744	1,831,326

Reserves

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-distributable				
Revaluation reserve	54,328	56,465	26,729	27,334
Exchange fluctuation reserve	78,552	58,500	--	--
Capital reserve	10,372	10,208	--	--
Fair value reserve	(26,205)	(5,264)	--	--
Employee share-based reserve	8,656	5,296	8,844	5,484
Treasury shares	(4,979)	(4,979)	(4,979)	(4,979)
Shares held under trust	--	(1,659)	--	(1,659)
	120,724	118,567	30,594	26,180
Distributable				
Retained earnings	805,345	734,822	76,097	56,892
	926,069	853,389	106,691	83,072

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.

15. CAPITAL AND RESERVES (CONT'D)

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.

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
- 2 July 2020	94,333	- 30% of the options issued for first calendar year	5 years
		- 30% of the options issued for second calendar year	
		-40% of the options issued for third calendar year onwards	

15. CAPITAL AND RESERVES (CONT'D)

Equity settled share-based transaction (Cont'd)

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

	2020		2019	
	Weighted average exercise price RM	**Number of options ('000)**	**Weighted average exercise price RM**	**Number of options ('000)**
Outstanding at 1 August	0.68	38,771	0.64	84,099
Granted during the year	0.89	94,334	--	--
Forfeited during the year	1.32	(2,638)	1.00	(1,854)
Exercised during the year	0.64	(36,380)	0.59	(43,474)
Outstanding at 31 July	0.89	94,087	0.68	38,771
Exercisable at 31 July	0.89	28,226	0.68	38,771

The options outstanding at 31 July 2020 have an exercise price of RM0.89 (2019: RM0.56 to RM1.78) and a weighted average contractual life of 5 years (2019: less than a year).

During the financial year, 36,380 share options were exercised (2019: 43,474 share options were exercised).

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:

	2020
Fair value at grant date	RM0.27
Share price at grant date	RM1.00
Expected volatility (weighted average volatility)	51.87%
Option life (expected weighted average life)	3.3 years
Expected dividends	2.57%
Risk-free interest rate (based on Malaysian Government Securities)	1.82%

Value of employee services received for issue of share options

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Total expense recognised as equity settled share-based transactions	9,270	1,575	4,503	734

15. CAPITAL AND RESERVES (CONT'D)

Treasury shares

At the Annual General Meeting held on 3 January 2020, the shareholders of the Company renewed their approval for the Company to repurchase its own shares.

During the financial year, the Company did not repurchase any ordinary shares.

At 31 July 2020, a total of 10,430,480 (2019: 10,430,480) repurchased shares are being held as treasury shares. The number of outstanding ordinary shares in issue after the set off is 1,854,313,048 (2019: 1,820,895,323).

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.

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

	Number of shares ('000)	
	2020	**2019**
As at 1 August	2,962	2,463
Subscription of new shares	18,000	20,500
Exercise of ESOS options by eligible employees via ETF Mechanism	(20,962)	(20,001)
As at 31 July	--	2,962

16. LOANS AND BORROWINGS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current				
Secured				
Term loans	1,952	2,146	--	--
Finance lease liabilities	--	12,660	--	1,603
Hire purchase liabilities	4,566	--	1,415	--
	6,518	14,806	1,415	1,603
Unsecured				
Term loans	21,479	52,098	7,689	34,157
	27,997	66,904	9,104	35,760
Current				
Secured				
Term loans	189	4,341	--	--
Bank overdrafts	6,205	9,868	--	--
Trust receipts	30,903	52,703	--	--
Short term loan	40,770	27,141	--	--
Finance lease liabilities	--	11,865	--	569
Hire purchase liabilities	8,630	--	688	--
	86,697	105,918	688	569
Unsecured				
Term loans	31,548	31,224	27,029	26,788
Bankers' acceptances	16,403	69,379	16,403	64,714
Trust receipts	77,861	130,630	77,599	105,414
Short term loan	11,518	24,386	--	--
	137,330	255,619	121,031	196,916
	224,027	361,537	121,719	197,485
	252,024	428,441	130,823	233,245

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 29.5.

16. LOANS AND BORROWINGS (CONT'D)

Finance lease liabilities

Finance lease liabilities were 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

17. LOAN FROM A DIRECTOR

Non-current loan from a Director is unsecured, subject to interest at 4.3% per annum and due for repayment on 15 December 2021.

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

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade payables	454,541	568,478	152,862	235,289
Other payables and accrued expenses	121,431	139,466	31,010	48,819
Due to subsidiaries - trade	--	--	41,291	37,774
	575,972	707,944	225,163	321,882

Included in other payables and accrued expenses are:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment creditors	7,989	30,991	1,937	21,466
Sundry creditors	37,051	33,371	10,120	9,475
Accrued expenses	73,992	75,104	18,953	17,878
Progress billings to customers	2,399	--	--	--
	121,431	139,466	31,010	48,819

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

19. REVENUE

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Timing and recognition				
- Over time	2,626,625	3,463,608	1,299,779	1,839,884
- At a point in time	616,516	514,560	--	--
Revenue from contracts with customers	3,243,141	3,978,168	1,299,779	1,839,884
Other revenue	51	182	--	--
Total revenue	3,243,192	3,978,350	1,299,779	1,839,884

19.1 Disaggregation of revenue

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Primary geographical markets				
Malaysia	1,470,100	2,540,095	1,134,893	1,805,385
United States of America	1,067,081	622,898	17,057	18,862
Indonesia	236,322	244,202	125	118
Europe	140,269	171,157	975	2,208
People's Republic of China	96,376	148,526	1,482	630
Singapore	34,640	27,627	137,542	4,271
Others	198,404	223,845	7,705	8,410
	3,243,192	3,978,350	1,299,779	1,839,884

19.2 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	Warranty
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	Assurance warranties of 18 - 24 months are given to certain customers

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.

Certain revenue streams from contracts with customers of the Company are not subject to variable element in the consideration, obligation for returns or refunds and warranty.

20. FINANCE COSTS

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Interest expense of financial liabilities that are not at fair value through profit or loss	16,601	25,828	5,513	9,202
Less: Amount capitalised in property, plant and equipment	(142)	(262)	--	--
	16,459	25,566	5,513	9,202
Add: Other finance costs	809	1,478	194	125
	17,268	27,044	5,707	9,327

21. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Income tax expense on continuing operations	48,871	62,384	8,736	17,608
Share of tax of equity-accounted associates	868	(2,816)	--	--
	49,739	59,568	8,736	17,608

21. TAX EXPENSE (CONT'D)

Major components of income tax expense include:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Current tax expense				
- Current year	57,008	63,591	10,118	16,304
- Prior years	2,994	(1,757)	155	(1,718)
	60,002	61,834	10,273	14,586
Deferred tax (income)/expense				
- Origination and reversal of temporary differences	(8,118)	2,849	(1,440)	4,485
- Over provision in prior years	(3,013)	(2,299)	(97)	(1,463)
	(11,131)	550	(1,537)	3,022
Share of tax of equity-accounted associates	868	(2,816)	--	--
Total tax expense	49,739	59,568	8,736	17,608
Reconciliation of tax expense				
Profit for the year	104,491	119,472	66,697	84,759
Total income expense	49,739	59,568	8,736	17,608
Profit excluding tax	154,230	179,040	75,433	102,367
Income tax calculated using Malaysian tax rate of 24%	37,015	42,970	18,104	24,568
Effect of different tax rates in foreign jurisdictions	36	(333)	--	--
Deferred tax assets not recognised in subsidiaries	2,685	7,019	--	--
Non-deductible expenses	10,079	15,971	7,304	5,890
Non-taxable income	(57)	(2,003)	(16,730)	(9,669)
	49,758	63,624	8,678	20,789
(Over)/Under provision in prior years	(19)	(4,056)	58	(3,181)
Total tax expense	49,739	59,568	8,736	17,608

22. PROFIT FOR THE YEAR

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Profit for the year is arrived at after charging/(crediting)					
Audit fees					
- KPMG PLT		361	390	188	205
- Other auditors		1,163	1,075	--	--
Non-audit fees					
- KPMG PLT		8	8	8	8
- Local affiliates of KPMG PLT		14	14	--	--
- Other auditors		125	211	--	--
Amortisation of prepaid lease payments		--	2,159	--	--
Depreciation:					
- Property, plant and equipment	3	89,097	97,024	25,892	20,311
- Right-of-use assets		2,718	--	--	--
Expenses relating to short-term leases	a	9,014	--	8,626	--
Impairment loss on:					
- Trade receivables		2,608	603	--	--
- Investment in subsidiaries		--	--	18,126	11,094
- Property, plant and equipment		16,124	22,068	--	--
Loss on disposal of a subsidiary		--	3,002	--	--
Personnel expenses (including key management personnel):					
- Contributions to state plans		13,475	13,567	5,497	5,380
- Wages, salaries and others		394,534	448,195	122,000	136,963
- Equity settled share-based transactions		9,271	1,575	4,503	734
Rental of premises		--	5,663	--	8,555
Write down of obsolete and slow moving inventories		14,500	10,777	3,044	901
Net foreign exchange (gain)/loss		(327)	(10,280)	2,201	(6,760)
Dividend income from:					
- Subsidiaries		--	--	(68,000)	(30,000)
- An associate		--	--	--	(2,000)
Property, plant and equipment:					
- (Gain)/Loss on disposal		(1,554)	5,368	(52)	(548)
- Written off		904	45	--	--
Rental income		(341)	(137)	(16)	(12)

Note a

The Group and the Company lease property, plant and equipment with contract term within one year. These leases are short-term. The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for these leases.

23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 July 2020 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2020 RM'000	**2019 RM'000**
Profit for the year attributable to owners	116,478	165,394

Weighted average number of ordinary shares are determined as follows:

	Group	
	2020 '000	**2019 '000**
Weighted average number of ordinary shares at 31 July	1,848,804	1,783,160

	2020	**2019**
Basic earnings per ordinary share (sen)	6.30	9.28

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 July 2020 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	
	2020 RM'000	**2019 RM'000**
Profit for the year attributable to owners (diluted)	116,478	165,394

Weighted average number of ordinary shares (diluted):

	Group	
	2020 RM'000	**2019 RM'000**
Weighted average number of ordinary shares (basic)	1,848,804	1,783,160
Effect of share options in issue	33,844	17,004
Weighted average number of ordinary shares at 31 July (diluted)	1,882,648	1,800,164

23. 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 was based on quoted market prices for the period during which the options were outstanding.

	2020	2019
Diluted earnings per ordinary share (sen)	6.19	9.19

24. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2020			
Fourth dividend 2019	0.8	14,749	31 October 2019
Final dividend 2019	0.8	14,817	24 January 2020
First dividend 2020	1.0	18,531	6 March 2020
		48,097	
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	

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
Second dividend 2020	0.8	15,042	30 October 2020
Final dividend 2020	0.8	15,043	--
		30,085	

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.

25. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment represents:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Current year additions (Note 3)	93,251	141,564	35,762	86,041
Less: Amount financed by:				
- finance lease creditors	(500)	(8,384)	(500)	(830)
- amount under credit term (Note 18)	(7,989)	(30,991)	(1,937)	(21,466)
- finance cost capitalised (Note 3)	(142)	(262)	--	--
Add: Payment in respect of previous year's purchase of property, plant and equipment (Note 18)	30,991	15,098	21,466	5,162
	115,611	117,025	54,791	68,907

26. DISPOSAL OF A SUBSIDIARY

In 2019, the Group disposed 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).

Results of the disposed subsidiary

	Group
	2019 RM'000
Revenue	--
Expenses	--
Results from operating activities	--
Tax expense	--
Results from operating activities, net of tax	--
Loss on disposal of a subsidiary	(3,002)
Loss for the year	(3,002)
Loss attributable to:	
Owners of the Company	(1,301)
Non-controlling interests	(1,701)
Loss for the year	(3,002)
Effect on cash flows	--

26. DISPOSAL OF A SUBSIDIARY (CONT'D)

Effect of disposal on the financial position of the Group

	2019 RM'000
Property, plant and equipment	15,257
Prepaid lease payment	3,603
Net assets and liabilities	18,860
Loss on disposal of a subsidiary	(3,002)
Consideration received satisfied in cash/Net cash inflow	15,858

27. 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.

27. OPERATING SEGMENTS (CONT'D)

	Malaysia		People's Republic of China		Indonesia		Total	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Segment profit/(loss)	187,109	267,801	(23,942)	(82,980)	(11,429)	991	151,738	185,812
Included in the measure of segment profit are:								
Revenue from external customers	2,568,103	3,337,702	288,193	388,130	237,220	245,563	3,093,516	3,971,395
Inter-segment revenue	143,209	3,979	576	4,376	--	--	143,785	8,355
Depreciation and amortisation	(63,020)	(54,322)	(21,517)	(37,565)	(6,795)	(6,730)	(91,332)	(98,617)
Finance costs	(9,862)	(16,588)	(6,644)	(9,556)	(762)	(878)	(17,268)	(27,022)
Finance income	6,473	6,868	500	980	23	89	6,996	7,937
Not included in the measure of segment profit but provided to Group Managing Director								
Tax (expense)/income	(49,641)	(63,604)	787	2,026	3	(841)	(48,851)	(62,419)
Segment assets	2,549,072	2,679,895	490,600	548,814	146,021	148,546	3,185,693	3,377,255
Included in the measure of segment assets are:								
Additions to non-current assets other than financial instruments and deferred tax assets	92,511	121,638	4,397	15,612	1,321	3,447	98,229	140,697
Segment liabilities	742,770	1,007,498	193,818	231,129	70,683	68,191	1,007,271	1,306,818

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

	2020 RM'000	**2019 RM'000**
Profit		
Total profit for reportable segments	151,738	185,812
Other non-reportable segments	(640)	(1,775)
Share of profit/(loss) of equity accounted associates not included in reportable segments	2,264	(2,181)
Consolidated profit before tax	153,362	181,856

27. OPERATING SEGMENTS (CONT'D)

	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000	Investment in associates RM'000	Additions to non-current assets RM'000	Segment liabilities RM'000
2020								
Total reportable segments	3,093,516	(91,332)	(17,268)	6,996	3,185,693	--	98,229	1,007,271
Other non-reportable segments	149,676	(483)	--	33	183,911	--	7	91,823
Components not monitored by Group Managing Director	--	--	--	--	--	67,754	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(536,345)	--	--	(142,438)
Consolidated total	3,243,192	(91,815)	(17,268)	7,029	2,833,259	67,754	98,236	956,656
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

27. 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group				
Malaysia	1,470,100	2,540,095	586,241	546,644
United States of America	1,067,081	622,898	--	--
Indonesia	236,322	244,202	58,203	62,040
Europe	140,269	171,157	--	--
People's Republic of China	96,376	148,526	311,459	353,984
Singapore	34,640	27,627	77,877	101,885
Others	198,404	223,845	--	--
Total	3,243,192	3,978,350	1,033,780	1,064,553

Major customers

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

	Revenue		Segment
	2020 RM'000	2019 RM'000	
Customer A	842,687	1,576,048	Malaysia
Customer B	720,163	441,794	Malaysia
Customer C	--	408,637	Malaysia

28. CONTINGENCIES (UNSECURED)

	Company	
	2020 RM'000	2019 RM'000
Corporate guarantees given to financial institutions in respect of outstanding term loans and banking facilities of the subsidiaries	36,958	75,420

29. FINANCIAL INSTRUMENTS

29.1 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			
2020			
Financial assets			
Other investments	78,017	--	78,017
Trade and other receivables	884,372	884,372	--
Cash and cash equivalents	404,512	404,512	--
	1,366,901	1,288,884	78,017
Financial liabilities			
Loans and borrowings	(252,024)	(252,024)	--
Trade and other payables	(573,573)	(573,573)	--
Loan from a Director	(23,614)	(23,614)	--
Due to Directors	(2,384)	(2,384)	--
	(851,595)	(851,595)	--
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)	--

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	AC RM'000	FVOCI-EIDUIR RM'000
Company			
2020			
Financial assets			
Other investments	7,321	--	7,321
Trade and other receivables	331,341	331,341	--
Dividend receivable	20,000	20,000	--
Cash and cash equivalents	31,378	31,378	--
	390,040	382,719	7,321
Financial liabilities			
Loans and borrowings	(130,823)	(130,823)	--
Trade and other payables	(225,163)	(225,163)	--
	(355,986)	(355,986)	--
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)	--

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Net gains and losses arising from financial instruments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net (losses)/gains on:				
Financial assets at amortised cost	4,421	15,105	1,929	10,541
Equity instruments designated at fair value through other comprehensive income				
- recognised in other comprehensive income	(20,941)	(80,472)	--	--
Financial liabilities at amortised cost	(16,132)	(22,982)	(8,576)	(11,347)
	(32,652)	(88,349)	(6,647)	(806)

29.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

29.4 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.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Concentration of credit risk

The Group and the Company have significant concentration of credit risk arising from amounts due from two major customers, representing 49% and 90% (2019: 56% and 88%) of the Group's and of the Company's trade receivables respectively.

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia	323,627	615,226	218,721	396,922
United States of America	456,304	284,484	2,352	6,622
Philippines	47,953	2,002	--	--
Indonesia	26,941	47,224	--	--
People's Republic of China	19,040	48,733	--	--
Others	53,652	90,080	3,197	3,067
	927,517	1,087,749	224,270	406,611

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.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

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.

	Group			Company
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000	Gross carrying amount/ Net balance RM'000
2020				
Current (not past due)	586,472	11	586,461	188,384
1 - 30 days past due	177,546	12	177,534	35,550
31 - 60 days past due	97,729	3	97,726	189
61 - 90 days past due	59,799	--	59,799	1
	921,546	26	921,520	224,124
Credit impaired				
More than 90 days past due	9,512	3,515	5,997	146
	931,058	3,541	927,517	224,270
Trade receivables	827,410	3,541	823,869	194,123
Contract assets	103,648	--	103,648	30,147
	931,058	3,541	927,517	224,270
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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 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.

Group	Credit impaired/Total 2020 RM'000	 2019 RM'000
Balance at 1 August	1,052	450
Amounts written off	(141)	--
Net remeasurement of loss allowance	2,608	603
Exchange differences	22	(1)
Balance at 31 July	3,541	1,052

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.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 Credit risk (Cont'd)

Financial guarantees (Cont'd)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM37.0 million (2019: RM75.4 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 subsidiaries' 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.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 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.

	Gross carrying amount/ Net balance	
Company	**2020 RM'000**	**2019 RM'000**
Low credit risk	113,705	28,822

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

29.5 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.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.5 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
2020							
Non-derivative financial liabilities							
Secured hire purchase liabilities	13,196	2.28 - 3.80	14,121	9,338	2,920	1,863	--
Secured term loans	2,141	4.94 - 12.15	2,885	290	278	822	1,495
Secured short term loan	40,770	5.40	41,877	41,877	--	--	--
Secured trust receipts	30,903	3.90	31,199	31,199	--	--	--
Secured bank overdrafts	6,205	7.00	6,668	6,668	--	--	--
Unsecured short term loan	11,518	6.50	11,518	11,518	--	--	--
Unsecured term loans	53,027	3.70 - 6.18	55,454	33,002	12,766	9,686	--
Unsecured bankers' acceptances	16,403	2.33 - 2.85	16,403	16,403	--	--	--
Unsecured trust receipts	77,861	1.02 - 3.72	77,861	77,861	--	--	--
Loan from a Director	23,614	4.30	24,872	914	23,958	--	--
Due to Directors	2,384	--	2,384	2,384	--	--	--
Trade and other payables	573,573	--	573,573	573,573	--	--	--
	851,595		858,815	805,027	39,922	12,371	1,495
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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.5 Liquidity risk (Cont'd)

Company	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2020							
Non-derivative financial liabilities							
Secured hire purchase liabilities	2,103	2.28 - 2.42	2,257	765	697	795	--
Unsecured term loans	34,718	3.87 - 6.18	35,627	27,839	7,788	--	--
Unsecured bankers' acceptances	16,403	2.33 - 2.85	16,403	16,403	--	--	--
Unsecured trust receipts	77,599	1.02 - 3.72	77,599	77,599	--	--	--
Trade and other payables	225,163	--	225,163	225,163	--	--	--
Financial guarantee*	--	--	36,958	36,958	--	--	--
	355,986		394,007	384,727	8,485	795	--
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	--

* *Represents the amount outstanding as disclosed in Note 29.4.*

29.6 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").

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.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Market risk (Cont'd)

Currency risk (Cont'd)

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade and other receivables	3,676	2,228	191,928	67,196	91,051	14,501
Cash and cash equivalents	21,712	16,273	86,659	50,214	14,566	4,508
Trade and other payables	(37,428)	(41,672)	(145,277)	(238,393)	(75,453)	(135,770)
Unsecured trust receipts	--	(6,151)	(45,247)	(120,763)	(44,985)	(101,697)
Unsecured term loans	--	--	(35,425)	(55,644)	(21,515)	(39,093)
Secured trust receipts	--	--	(9,374)	(14,670)	--	--
Secured term loans	--	--	--	(4,131)	--	--
Loan from a Director	--	--	(12,695)	(10,347)	--	--
Unsecured bankers' acceptances	--	(3,084)	--	--	--	--
Finance lease liabilities	(169)	(311)	--	--	--	--
	(12,209)	(32,717)	30,569	(326,538)	(36,336)	(257,551)

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% (2019: 10%) strengthening of the USD/RM against the following currencies at the end of the reporting period would have increased/(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.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Market risk (Cont'd)

Currency risk (Cont'd)

Currency risk sensitivity analysis (Cont'd)

	Denominated in		
	RM	USD	
	Group RM'000	Group RM'000	Company RM'000
2020			
Profit or (loss)	928	(2,323)	2,762
2019			
Profit or (loss)	2,486	24,817	19,574

A 10% (2019: 10%) weakening of USD/RM against the above currencies 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 (2019: RM9,986,400) in order to achieve an appropriate mix of fixed and floating rate exposure. At 31 July 2020, 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%.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Market risk (Cont'd)

Interest rate risk (Cont'd)

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fixed rate instruments				
Financial assets	37,589	55,845	209	203
Financial liabilities	(149,384)	(272,884)	(96,105)	(172,300)
	(111,795)	(218,045)	(95,896)	(172,097)
Floating rate instruments				
Financial liabilities	(126,254)	(165,904)	(34,718)	(60,945)

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 RM960,000 (2019: RM1,261,000) and RM264,000 (2019: RM463,000) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.7 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
	Level 1 RM'000	Level 3 RM'000	Total RM'000	Level 3 RM'000	RM'000	RM'000
Group						
2020						
Financial assets						
Shares	68,273	9,744	78,017	--	78,017	78,017
Financial liabilities						
Term loans	--	--	--	(52,803)	(52,803)	(55,168)
Hire purchase liabilities	--	--	--	(12,738)	(12,738)	(13,196)
Loan from a Director	--	--	--	(23,614)	(23,614)	(23,614)
	--	--	--	(89,155)	(89,155)	(91,978)
Company						
2020						
Financial assets						
Shares	--	7,321	7,321	--	7,321	7,321
Financial liabilities						
Term loans	--	--	--	(32,531)	(32,531)	(34,718)
Hire purchase liabilities	--	--	--	(1,826)	(1,826)	(2,103)
	--	--	--	(34,357)	(34,357)	(36,821)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.7 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
	Level 1 RM'000	Level 3 RM'000	Total RM'000	Level 3 RM'000	RM'000	RM'000
Group						
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)
Company						
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)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.7 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/Hire purchase liabilities/ 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.

30. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to support the underlying risks in its business activities and to enable future business growth. The Directors monitor and determine to maintain debt-to-equity ratios that complies with debt covenants.

The debt-to-equity ratios at 31 July 2020 and 31 July 2019 were as follows:

	Group	
	2020 RM'000	**2019 RM'000**
Total loans and borrowings (Note 16)	252,024	428,441
Less: Cash and cash equivalents (Note 14)	(404,512)	(379,457)
Net (cash)/debt	(152,488)	48,984
Total equity attributable to owners of the Company	1,709,016	1,606,466
Debt-to-equity ratio	--	0.03

31. CAPITAL COMMITMENTS

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Capital expenditure commitments				
Property, plant and equipment				
Contracted but not provided for	4,752	23,150	4,478	5,786

32. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel 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.

32. RELATED PARTIES (CONT'D)

Significant related party transactions

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
A. Subsidiaries				
Sales of goods	--	--	247,940	83,348
Sales of plant and equipment	--	--	273	108
Purchases of goods	--	--	162,757	285,313
Purchases of plant and equipment	--	--	13	5,637
Rental expense	--	--	10,464	8,495
Dividend receivable	--	--	68,000	30,000
B. Associates				
Sales of goods	1,046	--	--	--
Outstanding balances:				
- due from	1,045	--	--	--
C. Companies which are wholly - owned by close family member of certain Directors				
Purchases of tooling	2,766	6,515	--	--
Outstanding balances:				
- due to	1,464	1,497	--	--
- due from	--	121	--	--
D. Company in which the spouse of a Director has financial interest				
Purchases of goods	9,338	7,675	6,460	4,828
Sales of goods	1,664	662	1,664	662
Outstanding balances				
- due to	2,646	3,173	1,775	1,990
- due from	257	662	257	662
E. Remuneration paid to staff who are close family member of certain Directors	1,381	1,344	315	306
F. A company controlled by a Director				
Operating lease charges and management fee expense	2,939	3,951	--	--
Outstanding balances:				
- due to	215	125	--	--
- due from	399	203	--	--

32. RELATED PARTIES (CONT'D)

Significant related party transactions (Cont'd)

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
G. A company controlled by the family member of a Director				
Sub-contracting fee expense	3,099	3,206	--	--
Outstanding balances	587	832	--	--
H. A company controlled by the family member of a key management personnel				
Repair and maintenance services	398	449	--	--
Outstanding balances	22	50	--	--
I. A company wholly owned by close family member of a Director				
Sales	528	--	--	--
Sales of plant and equipment	5,346	--	--	--
Outstanding balances	3,592	--	--	--
J. A company wholly owned by a Director				
Rental receivable	225	--	--	--
K. Key management personnel				
Directors				
- Fees	759	972	533	604
- Remuneration	21,474	24,439	8,442	8,449
- Contributions to state plans	2,595	3,030	1,297	1,330
- Equity settled share-based transaction	747	169	747	169
Total short term employee benefits	25,575	28,610	11,019	10,552
Other key management personnel:				
- Wages, salaries and others	4,274	4,166	571	516
- Contributions to state plans	276	212	68	62
- Other short term employee benefits	42	60	9	9
- Equity settled share-based transaction	352	47	66	7
	4,944	4,485	714	594
	30,519	33,095	11,733	11,146

The estimated monetary value of Directors' benefit-in-kind of the Group/Company is RM162,000 (2019: RM160,000).

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.

33. SUBSEQUENT EVENT

On 28 August 2020 and 14 October 2020 respectively, the Company has entered into Sale and Purchase and Construction Agreements for the acquisition of land and industrial buildings for a total consideration of RM98.8 million. The purchase consideration will be funded via internally generated funds and bank borrowings.

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 76 to 170 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 2020 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

20 November 2020

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Beh Chern Wei (Ma Chengwei)**, 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 76 to 170 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 Beh Chern Wei (Ma Chengwei), NRIC: 851205-71-5057, at Johor Bahru in the State of Johor on 20 November 2020.

Beh Chern Wei (Ma Chengwei)

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 2020 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 76 to 170.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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.

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 three 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.

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

Key Audit Matters (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 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.

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.

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

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

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

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

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

20 November 2020

LIST OF PROPERTIES

Location	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2020 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 (14-17 years)	66,195	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 (2 years)	45,794	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 (2 years)	37,860	5-Dec-17 (A)
Lot 45151-45170, Jalan Murni 8 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 (28 years)	25,366	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 (27 years)	6,560	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 (23 years)	3,722	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 (23 years)	5,861	31-Jul-17 (R)

Location	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2020 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 (10 years)	31,851	31-Jul-17 (R)
PTD 8817 Kawasan Perindustrian Senai (FASA 1) 81400 Senai Johor Darul Takzim	1.00	-	Vacant	Leasehold for 60 years expiring on 9/12/2050	2,757	20-May-19 (A)
PTD 105622 - PLO 47 Jalan Perindustrian 1 Kawasan Perindustrian Senai II 81400 Senai Johor Darul Takzim	3.30	185,039	Factory/office (5-storey)	Leasehold for 60 years expiring on 03/10/2077 (24 years)	20,861	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 (33 years)	5,978	31-Jul-17 (R)
PTD 8784 - PLO 4 Jalan Perindustrian Kawasan Perindustrian Senai I 81400 Senai Johor Darul Takzim	2.00	50,002	Factory/office (2-storey)	Leasehold for 60 years expiring on 22/09/2045 (28 years)	8,839	25-Jun-19 (A)
Lot 72061- PLO 121 Jalan Cyber 5 Kawasan Perindustrian Senai III 81400 Senai Johor Darul Takzim	1.00	27,900	Factory (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 15/06/2064 (20 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 (28 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 (9-24 years)	6,125	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 2020 RM'000	Date of Last Revaluation (R) /Acquisition (A)
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 (4 years)	12,928	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 (2 years)	23,204	13-Sep-17 (A)
652, Jalan Taman Perindustrian Senai Taman Perindustrian Senai 81400 Senai Johor Darul Takzim	0.58	26,363	Rented out (1 1/2-storey)	Freehold (5 years)	5,300	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 (7 years)	2,217	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 (2 years)	9,223	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 (6 years)	36,051	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 (2 years)	729	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 (19 years)	217,238	31-Jul-17 (R)

ANALYSIS OF SHAREHOLDINGS
As at 30 October 2020

Issued Shares	:	1,880,501,998@
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	901	6.74	39,945	0.00
100 - 1,000	2,605	19.48	1,625,395	0.09
1,001 - 10,000	6,324	47.27	28,229,471	1.50
10,001 - 100,000	2,787	20.83	84,116,571	4.47
100,001 - 94,021,373 *	759	5.68	1,588,006,466	84.45
94,021,374 AND ABOVE **	1	0.00	178,484,150	9.49
Total	13,377	100.00	1,880,501,998@	100.00

* less than 5% of issued shares
** 5% and above of issued shares
@ net of treasury shares of 10,430,480 ordinary shares

THIRTY LARGEST SHAREHOLDERS AS AT 30 OCTOBER 2020

No.	Name of Shareholders	Shares Held	Percentage (%)
1.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	178,484,150	9.49
2.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	83,877,200	4.46
3.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	58,590,812	3.12
4.	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR GAN CHU CHENG (PB-SGDIV)	54,150,000	2.88
5.	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR BEH KIM LING	41,918,318	2.23
6.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	39,974,900	2.13
7.	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR GAN SEM YAM	32,048,050	1.70
8.	GAN SEM YAM	31,125,312	1.66
9.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GAN TONG CHUAN (PB)	30,288,350	1.61
10.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC)	27,464,700	1.46
11.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LSF)	27,225,000	1.45
12.	PERMODALAN NASIONAL BERHAD	25,000,000	1.33

THIRTY LARGEST SHAREHOLDERS AS AT 30 OCTOBER 2020 (CONT'D)

No.	Name of Shareholders	Shares Held	Percentage (%)
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LEEF)	24,157,600	1.28
14.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN SEM YAM	22,500,015	1.20
15.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	21,409,300	1.14
16.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR BEH HWEE LEE (PB)	21,395,768	1.14
17.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	21,000,000	1.12
18.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	20,398,850	1.08
19.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD CBHK PBGSG FOR BEH HWEE LEE	20,302,375	1.08
20.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	19,374,500	1.03
21.	LEMBAGA TABUNG HAJI	19,100,000	1.02
22.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR BEH HWEE SZE (PB)	18,935,381	1.01
23.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	18,634,698	0.99
24.	CITIGROUP NOMINEES (ASING) SDN BHD CBHK PBGSG FOR BEH HWEE SZE	18,302,375	0.97
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING (MBBHK-240577)	18,032,675	0.96
26.	GAN TIONG SIA	17,568,037	0.93
27.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR BEH CHERN WEI (MA CHENGWEI) (PBCL-0G0518)	17,350,000	0.92
28.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	17,193,450	0.91
29.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	16,339,700	0.87
30.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD CBHK PBGSG FOR BEH CHERN WEI	15,802,375	0.84
	Total	**977,943,891**	**52.01**

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 30 OCTOBER 2020

		Interests in Shares			
No.	**Name of Substantial Shareholders**	**Direct**	**Deemed**	**Note**	**Percentage (%)**
1.	Datuk Beh Kim Ling	144,497,593	152,874,899	(a)	15.81
2.	Datuk Gan Sem Yam	85,673,377	12,500,000	(b)	5.22
3.	Datin Ling Sok Mooi	-	98,173,377	(c)	5.22
4.	Kumpulan Wang Persaraan (Diperbadankan)	178,539,150	20,403,050		10.58

DIRECTORS' INTERESTS IN SHARES AS AT 30 OCTOBER 2020

		Interests in Shares			
	Name of Directors	**Direct**	**Deemed**	**Note**	**Percentage (%)**
A.	**In the Company**				
	Datuk Beh Kim Ling	144,497,593	152,874,899	(a)	15.81
	Datuk Gan Sem Yam	85,673,377	12,500,000	(b)	5.22
	Dato' Gan Tiong Sia	32,568,037	-		1.73
	Ng Yong Kang	11,800	-		*
	Beh Chern Wei	49,227,375	-		2.62
	Gan Pee Yong	10,732,812	-		0.57
	Diong Tai Pew	-	-		-
	Tan Pui Suang	-	-		-
	Dato' Chang Lik Sean	-	200,000	(d)	0.01
	Chong Chin Siong (Alternate Director to Beh Chern Wei)	-	300,000	(e)	0.02
B.	**In Related Corporations**				
	(i) V.S. Ashin Technology Sdn. Bhd.				
	Datuk Beh Kim Ling	-	448,000	(f)	6.40
	Datuk Gan Sem Yam	746,667	-		10.67
	Beh Chern Wei	224,000	-		3.20
	(ii) VS Marketing & Engineering Pte. Ltd.				
	Datuk Gan Sem Yam	-	816,000	(g)	34.00
	Dato' Gan Tiong Sia	-	120,000	(h)	5.00
	Gan Pee Yong	-	816,000	(i)	34.00

DIRECTORS' INTERESTS IN SHARES AS AT 30 OCTOBER 2020 (CONT'D)

		Interests in Shares			
	Name of Directors	**Direct**	**Deemed**	**Note**	**Percentage (%)**
B.	**In Related Corporations (Cont'd)**				
(iii)	**Serumi International Private Limited**				
	Datuk Gan Sem Yam	-	1,933,400	(g)	96.67
	Gan Pee Yong	-	1,933,400	(i)	96.67
(iv)	**V.S. International Group Limited (Ordinary shares of HKD0.05 each)**				
	Datuk Beh Kim Ling	158,904,532	45,995,880	(a)	8.88
	Datuk Gan Sem Yam	44,671,395	39,464,093	(j)	3.65
	Dato' Gan Tiong Sia	17,215,074	16,300,000	(h)	1.45
	Beh Chern Wei	27,000,000	-		1.17
	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	(k)	10.00
	Datuk Gan Sem Yam	3,750,000	-		5.00
	Dato' Gan Tiong Sia	3,750,000	-		5.00
(vi)	**V.S. Investment Holdings Limited (Ordinary shares of HKD1.00 each)**				
	Datuk Beh Kim Ling	5	5	(k)	*
	Datuk Gan Sem Yam	5	-		*

Note:

(a) By virtue of the shareholdings of the estate of his spouse and daughters, Beh Hwee Lee and Beh Hwee Sze.
(b) By virtue of the shareholdings of his daughters, Gan Chian Yi and Gan Chian Yin.
(c) By virtue of the shareholdings of her spouse, Datuk Gan Sem Yam and daughters, Gan Chian Yi and Gan Chian Yin.
(d) By virtue of the shareholdings of his spouse, Datin Teoh Hooi Lee.
(e) By virtue of the shareholdings of his spouse, Chai Ming Er.
(f) By virtue of the shareholdings of his daughters, Beh Hwee Lee and Beh Hwee Sze.
(g) By virtue of the shareholdings of his spouse, Datin Ling Sok Mooi, children, namely Gan Pee Yong, Gan Chian Yi and Gan Chian Yin and his shareholding in V. Plus Resources Pte. Ltd..
(h) By virtue of the shareholdings of his daughter, Gan Swu Juan.
(i) By virtue of the shareholdings of his parents, Datuk Gan Sem Yam and Datin Ling Sok Mooi, siblings namely Gan Chian Yi and Gan Chian Yin and his shareholdings in V. Plus Resources Pte. Ltd..
(j) By virtue of the shareholdings of his daughter, Gan Chian Yi.
(k) By virtue of the shareholdings of the estate of his spouse.

* *Negligible percentage*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Eighth Annual General Meeting ("38th AGM") of **V.S. INDUSTRY BERHAD** ("VSI" or "the Company") will be held at Iskandar Ballroom, Hotel Jen Puteri Harbour, Johor, Persiaran Puteri Selatan, Puteri Harbour, 79000 Iskandar Puteri, Johor Darul Takzim on Friday, 8 January 2021 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 2020 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 2020. **RESOLUTION 1**

3. To approve the payment of Directors' fees up to an amount of RM717,600 for the financial year ending 31 July 2021, to be payable on quarterly basis in arrears. **RESOLUTION 2**

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

(a)	Datuk Gan Sem Yam	- Clause 103	**RESOLUTION 3**
(b)	Dato' Gan Tiong Sia	- Clause 103	**RESOLUTION 4**
(c)	Beh Chern Wei (Ma Chengwei)	- Clause 110	**RESOLUTION 5**
(d)	Gan Pee Yong	- Clause 110	**RESOLUTION 6**

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

SPECIAL BUSINESS

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

6. **ORDINARY RESOLUTION**
   Proposed Authority to Issue Shares Pursuant to Section 75 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 8**

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

"THAT, subject to the Company's compliance with all applicable rules, regulations, orders and guidelines made pursuant to the Companies Act 2016, the provisions of the Company's 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 any time 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 9**

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with V.S. International Group Limited, its subsidiaries and associates as set out in Section 2.3, Part B, the Statement/Circular to the Shareholders of VSI dated 27 November 2020, subject to the following:

(i) the RRPTs are:

(a) necessary for the day-to-day operations;
(b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
(c) are not detrimental to the shareholders of the Company; and

(ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

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

9. **ORDINARY RESOLUTION**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with 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 Statement/Circular to the Shareholders of VSI dated 27 November 2020, subject to the following:

(i) the RRPTs are:

(a) necessary for the day-to-day operations;
(b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
(c) are not detrimental to the shareholders of the Company; and

(ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." **RESOLUTION 11**

10. **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 Statement/Circular to the Shareholders of VSI dated 27 November 2020, subject to the following:

(i) the RRPTs are:

(a) necessary for the day-to-day operations;
(b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
(c) are not detrimental to the shareholders of the Company; and

(ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd. during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd. is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd. is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." **RESOLUTION 12**

11. **ORDINARY RESOLUTION**
Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Liphup Mould Sdn. Bhd. ("Proposed New Shareholders' Mandate for RRPTs with Liphup Mould Sdn. Bhd.")

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Liphup Mould Sdn. Bhd. as set out in Section 2.3, Part B, the Statement/Circular to the Shareholders of VSI dated 27 November 2020, subject to the following:

(i) the RRPTs are:

(a) necessary for the day-to-day operations;
(b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
(c) are not detrimental to the shareholders of the Company; and

(ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed New Shareholders' Mandate for RRPTs with Liphup Mould Sdn. Bhd. during the period in which the Proposed New Shareholders' Mandate for RRPTs with Liphup Mould Sdn. Bhd. is in force; and

(iii) the Proposed New Shareholders' Mandate for RRPTs with Liphup Mould Sdn. Bhd. is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 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. 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 38th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 28 December 2020. Only a depositor whose name appears on the Record of Depositors as at 28 December 2020 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

LEONG SIEW FOONG (MAICSA 7007572)
SANTHI A/P SAMINATHAN (MAICSA 7069709)
CHIAM MEI LING (MIA 12128)
Company Secretaries

Johor Bahru
27 November 2020

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. **Vote by way of poll**

   Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice shall be put to vote by way of poll.

3. **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. The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the Form of Proxy, duly completed 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.

      In the case of electronic appointment, the Form of Proxy must be deposited via TIIH Online at https://tiih.online. Please refer to the Administrative Notes for further information on electronic submission. All Form of Proxy submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote.

      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).

4. **Explanatory Notes on Ordinary Business – To approve the payment of Director's fees up to an amount of RM717,600 for the financial year ending 31 July 2021, to be payable on quarterly basis in arrears (Resolution 2)**

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 Thirty Eighth Annual General Meeting (38th AGM) for the payment of Directors' fees to the Directors of the Company up to an amount of RM717,600 for the financial year ending 31 July 2021, to be payable on quarterly basis in arrears under Resolution 2.

Under Ordinary Resolution 2, the quantum of the Directors' fees proposed for the Directors for the Period 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 2021 and including fee provision for two additional Independent Non-Executive Director to be appointed during the financial year ending 31 July 2021. In the event that any Director hold office for only part of the financial year ending 31 July 2021, the Director's fee payable to him will be appropriately pro-rated.

The proposed Resolution 2, 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.

5. **Explanatory Notes on Special Business**

i. **Proposed Authority to Issue Shares Pursuant to Section 75 and Section 76 of the Companies Act 2016 (Resolution 8)**

The proposed Resolution No. 8, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued capital of the Company up to an amount not exceeding in total ten percent (10%) of the total 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. 8 above is a renewal of an existing mandate. There was no issuance of share and thus no proceed being raised since the last renewal was sought.

The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund-raising exercise including but not limited to further placement of shares for purposes of funding current and/or future investment projects, working capital, repayment/paring down of borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.

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

The proposed Resolution No. 9, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the total 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 Statement/Circular to the Shareholders of VSI dated 27 November 2020 which was circulated together with the Company's 2020 Annual Report.

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

The proposed Resolutions No. 10 to 12, if passed, will authorise the Company and/or its subsidiaries to enter into RRPTs with the respective related parties as set out in Section 2.3, Part B, the Statement/Circular to the Shareholders of VSI dated 27 November 2020. 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 Statement/Circular to the Shareholders of VSI dated 27 November 2020 which was circulated together with the Company's 2020 Annual Report.

iv. **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") (Resolution 13)**

The proposed Resolution No. 13, if passed, will authorise the Company and/or its subsidiaries to enter into RRPTs with the new related party, namely Liphup Mould Sdn. Bhd. as set out in Section 2.3, Part B, the Statement/Circular to the Shareholders of VSI dated 27 November 2020. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information on the Proposed New Shareholders' Mandate for RRPTs, please refer to the Statement/Circular to the Shareholders of VSI dated 27 November 2020 which was circulated together with the Company's 2020 Annual Report.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders at the Thirty Eighth Annual General Meeting, a final dividend of 0.8 sen per ordinary share for the financial year ended 31 July 2020, will be paid on 5 February 2021 to those registered in the Record of Depositors at the close of business on 22 January 2021.

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 22 January 2021 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 EIGHTH 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 Gan Sem Yam	- Clause 103	**RESOLUTION 3**
(b)	Dato' Gan Tiong Sia	- Clause 103	**RESOLUTION 4**
(c)	Beh Chern Wei (Ma Chengwei)	- Clause 110	**RESOLUTION 5**
(c)	Gan Pee Yong	- Clause 110	**RESOLUTION 6**

Further details of the above named Directors and their interest in the securities of the Company are set out in the profile of Directors on pages 15 to 17 and pages 181 to 182 of the 2020 Annual Report respectively.

V.S. Industry

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 Eighth Annual General Meeting of the Company, to be held at Iskandar Ballroom, Hotel Jen Puteri Harbour, Johor, Persiaran Puteri Selatan, Puteri Harbour, 79000 Iskandar Puteri, Johor Darul Takzim on Friday, 8 January 2021 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 2020		
2	Approval of Directors' fee for the financial year ending 31 July 2021, to be payable on quarterly basis in arrears.		
3	Re-election of retiring Director, Datuk Gan Sem Yam		
4	Re-election of retiring Director, Dato' Gan Tiong Sia		
5	Re-election of retiring Director, Beh Chern Wei (Ma Chengwei)		
6	Re-election of retiring Director, Gan Pee Yong		
7	Re-appointment of Messrs KPMG PLT as Auditors and authorise the Directors to fix their remuneration		
8	Authorise Directors to issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016		
9	Renewal of Shareholders' Approval for Share Buy-Back		
10	Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates		
11	Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd		
12	Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd.		
13	New Shareholders' Mandate for RRPTs with Liphup Mould Sdn. Bhd.		

Signed this ________________ day of ________________ 2020/2021

____
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 case of electronic appointment, the Form of Proxy must be deposited via TIIH Online at https://tiih.online. Please refer to the Administrative Notes for further information on electronic submission. All Form of Proxy submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote.
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 28 December 2020 shall be eligible to attend the meeting or appoint a proxy to attend, participate, speak and vote on his behalf.

vii. Please bring along the ORIGINAL of the following documents (whichever applicable) for verification purposes at the registration counter:-
(a) Identity Card (NRIC for Malaysian), or
(b) Police report (for loss of NRIC for Malaysian), or
(c) Passport (for Foreigner).

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 38th Annual General Meeting dated 27 November 2020.

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

V S 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

Passion to grow your business™

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

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