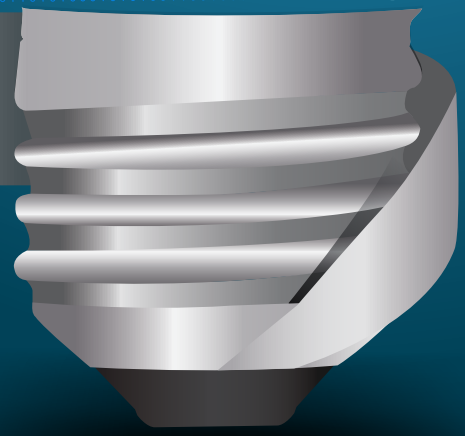




V.S. INDUSTRY BERHAD
(Co. No. 88160-P)

Annual Report

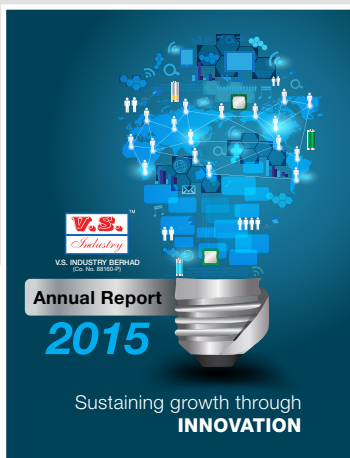
2015



Sustaining growth through
INNOVATION

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COVER RATIONALE

At the heart of every growth-centric company is the spirit of innovation: the constant desire to enhance and redefine the status quo, to birth a new breakthrough and bring about a transformation for the better.

In the span of the past three decades, we at V.S. Industry Berhad have tirelessly sought to not just remain relevant to our customers, but more importantly become partners in engineering product innovation to achieve common objectives. We believe that this unique capability would reinforce V.S. Industry Berhad's position in the global Electronics Manufacturing Services (EMS) sector and sustain our growth momentum going forward.

CORPORATE INFORMATION

Board of Directors

Datuk Beh Kim Ling
Executive Chairman

Datuk Gan Sem Yam
Managing Director

Datin Gan Chu Cheng
Executive Director

Dato' Gan Tiong Sia
Executive Director

Ng Yong Kang
Executive Director

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

Pan Swee Keat
Independent Non-Executive Director

Tang Sim Cheow
Independent Non-Executive Director

Chong Chin Siong
Alternate Director to Gan Chu Cheng

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Joint Company Secretaries

Ang Mui Kiow
Chiam Mei Ling

Auditors

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

Registrar

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

Principal Bankers

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

Registered Office

Suite 7E
Level 7, Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor Darul Takzim
Tel No. : (607) 224 1035
Fax No. : (607) 221 0891

Headquarters

PTD 86556, Jalan Murni 12
Taman Perindustrian Murni
81400 Senai
Johor Darul Takzim
Tel No. : (607) 597 3399
Fax No. : (607) 599 4694

Stock Exchange Listing

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

Online Links

Corporate Website:
www.vs-i.com
Investor Relations Channel:
<http://vsi.investor.net.my>



CORPORATE PROFILE

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

In fact, VS is now ranked alongside top global EMS providers – making the list into the world's top 50 EMS providers for 8 consecutive years from 2007 to 2014.

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

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





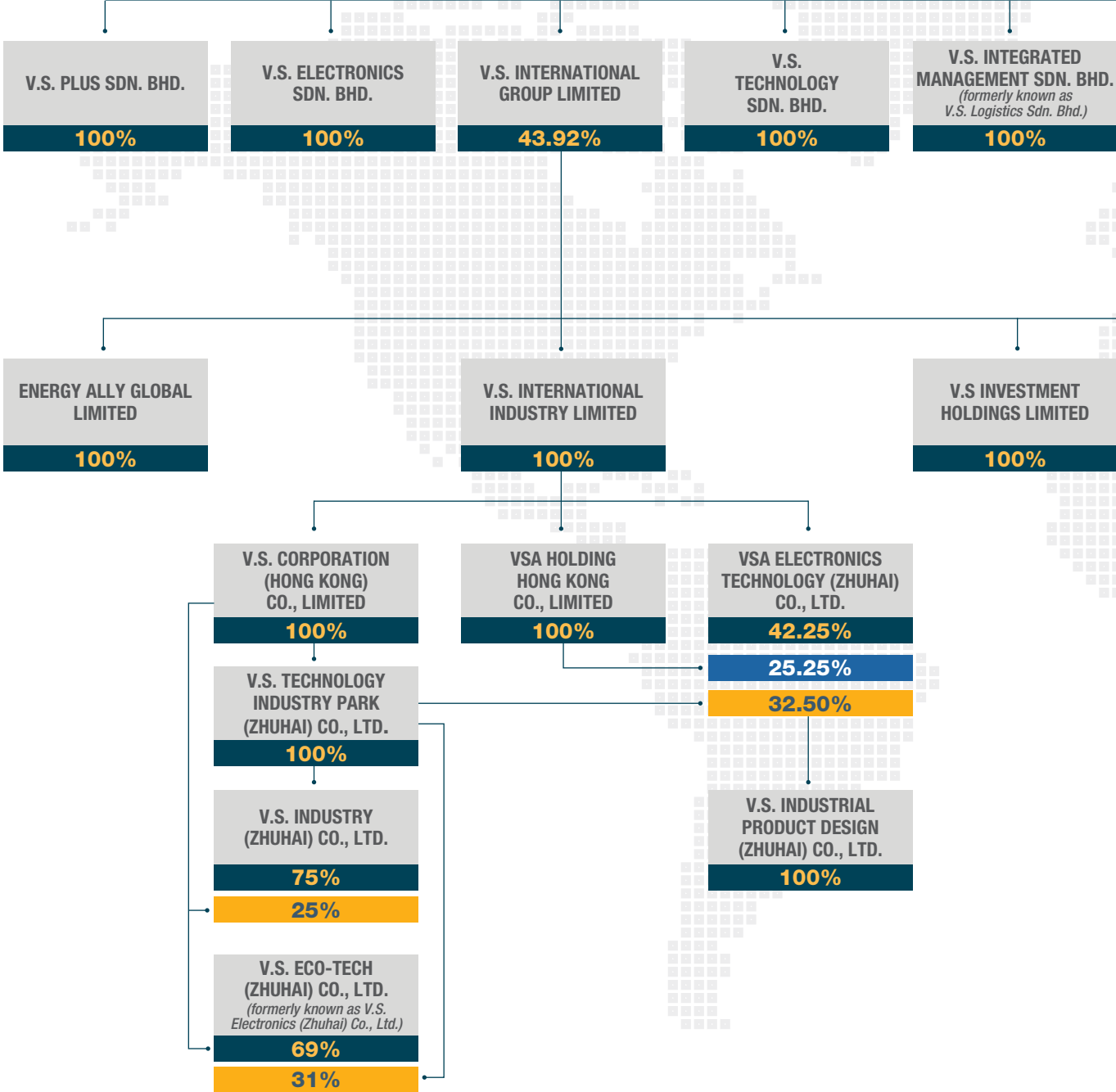
GEOGRAPHICAL FOOTPRINT

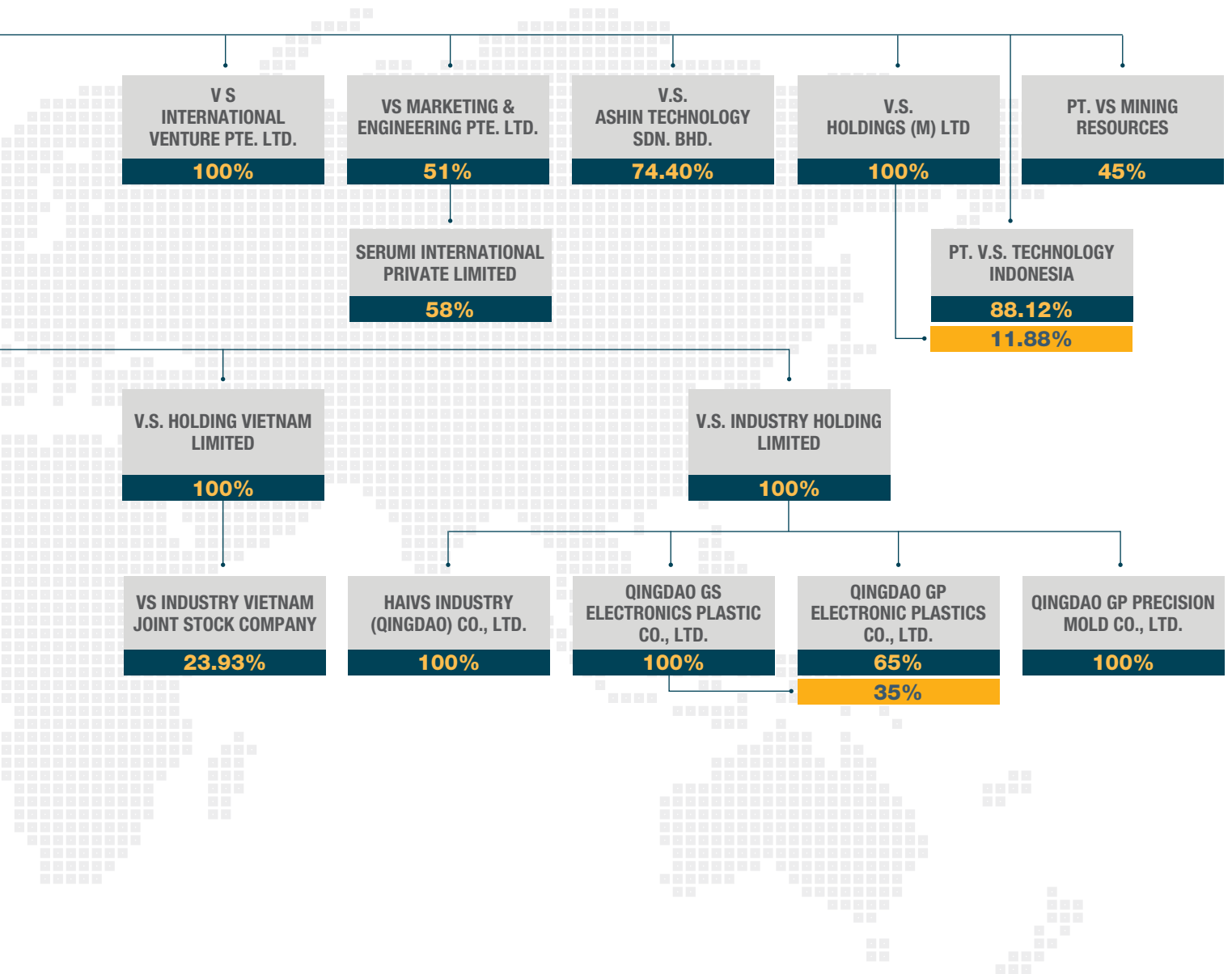
With facilities strategically located in Asia's key manufacturing hubs, VS today serves the EMS requirements for an ever-expanding international customer base.

CORPORATE STRUCTURE



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





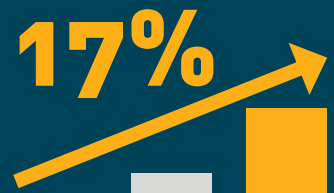
FINANCIAL HIGHLIGHTS

13%

YEAR-ON-YEAR
REVENUE GROWTH
IN FY2015

20%

RETURN ON
SHAREHOLDERS
EQUITY
IN FY2015



REVENUE
CAGR¹

48%

NET PROFIT
CAGR¹

4.8 SEN

DIVIDEND
PER SHARE
IN RESPECT OF
FY2015

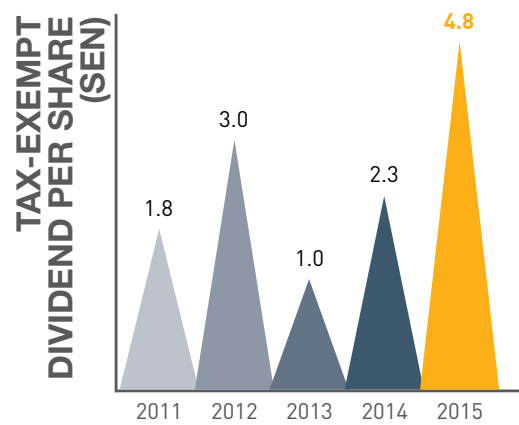
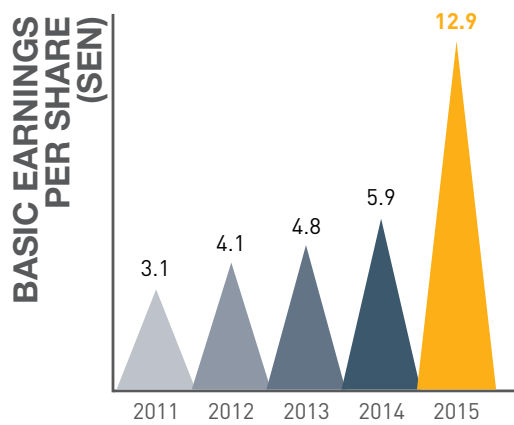
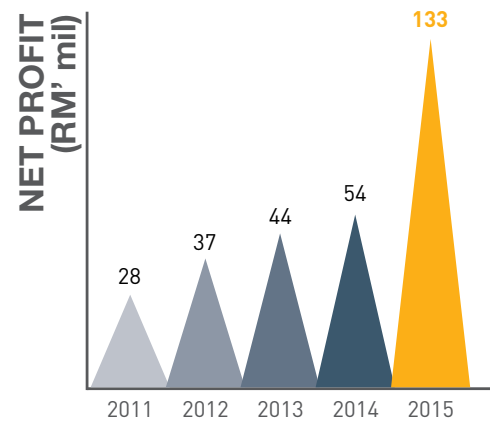
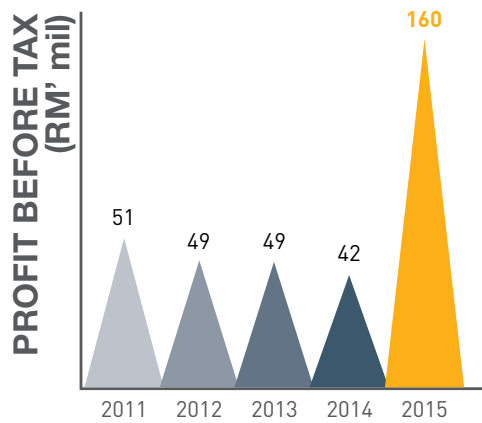
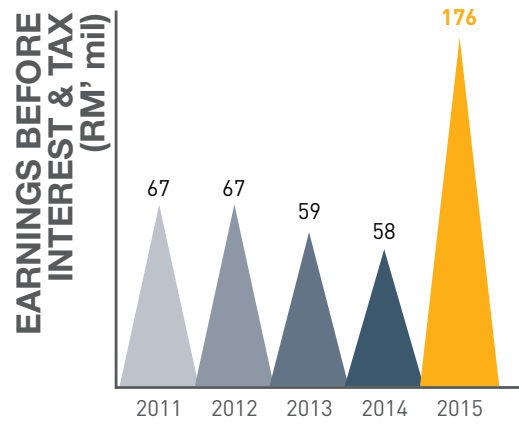
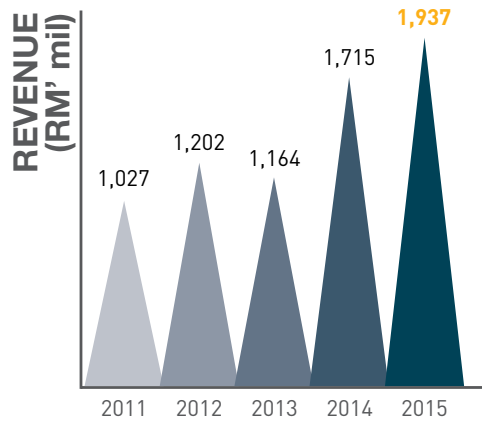
DIVIDEND PAYOUT IN
RESPECT OF FY2015

A pie chart with a single orange slice representing 41% of the total. The rest of the chart is light gray.

41%

¹ Compounded Annual Growth Rate from 2011-2015

FINANCIAL HIGHLIGHTS (cont'd)



FINANCIAL HIGHLIGHTS

(cont'd)

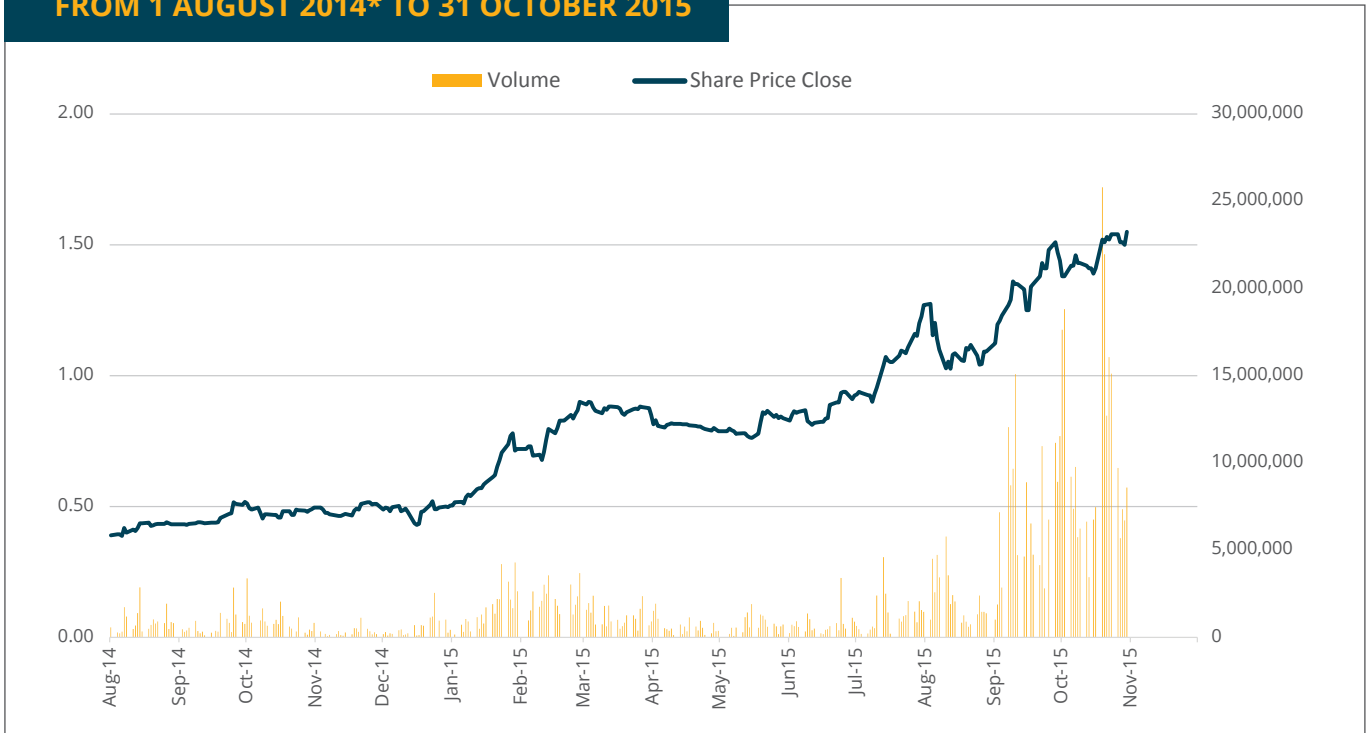
FINANCIAL SUMMARY					
For the Financial Year Ended 31 July (RM'000)	2015	2014	2013	2012	2011
Revenue	1,936,885	1,715,082	1,163,911	1,201,992	1,026,818
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	239,218	119,548	92,027	95,275	95,712
Earnings before Interest and Tax ("EBIT")	176,137	57,963	59,346	66,788	67,337
Share of Results of Associates	(1,569)	(689)	(5,160)	(13,080)	(10,491)
Profit before Tax ("PBT")	159,686	41,993	49,447	48,791	51,363
Net Profit after Minority Interest	132,739	53,633	43,910	37,390	27,721
Total Dividends Paid	53,869*	22,648	9,060	27,185	16,333
As At 31 July (RM'000)					
Shareholders' Funds	777,034	526,160	479,646	410,491	393,609
Share Capital	230,848	186,355	182,327	182,327	182,327
Reserves (Net of Treasury Shares at Cost)	546,186	339,805	297,319	228,164	211,282
Total Assets	1,855,678	1,551,689	1,404,443	850,986	772,166
Net Current Assets	321,419	121,619	94,561	103,724	97,036
Total Borrowings	412,208	409,791	361,757	138,008	134,829
Cash and Cash Equivalents	243,742	123,464	97,288	58,680	71,853
Per Share					
Basic Earnings per Share (sen)#	12.9	5.9	4.8	4.1	3.1
Total Tax-Exempt Dividend per Share (sen)#	4.8*	2.3	1.0	3.0	1.8
Net Tangible Assets per Share (RM)#	0.7	0.6	0.5	0.5	0.4
Returns (%)					
Return on Average Shareholders' Equity (%)	20.4	10.7	9.9	9.3	7.2
Return on Average Total Assets (%)	7.8	3.6	3.9	4.6	3.6
Financial Analysis					
Gross Margin (%)	14.8	11.5	9.1	12.2	14.4
Operating Margin (%)	9.1	3.4	5.1	5.6	6.6
PBT Margin (%)	8.2	2.4	4.2	4.1	5.0
Net Margin (%)	6.9	3.1	3.8	3.1	2.7
Gearing (Net of Cash) (times)	0.2	0.5	0.6	0.2	0.2
Interest Coverage (times)	11.8	3.8	12.5	13.6	12.3
Dividend Payout Ratio (%)	40.6	42.0	67.1	72.7	58.9

* Inclusive of proposed final single tier dividend of 1.2 sen per share subject to shareholders' approval

Adjusted for 1-for-5 share split effective 11 September 2015

SHARE PRICE PERFORMANCE

FROM 1 AUGUST 2014* TO 31 OCTOBER 2015



RM1.55

SHARE PRICE

**RM1,801.8
Million**

MARKET
CAPITALISATION

13.5x

FY15 PRICE
EARNINGS RATIO

2.2x

FY15 PRICE TO
BOOK RATIO

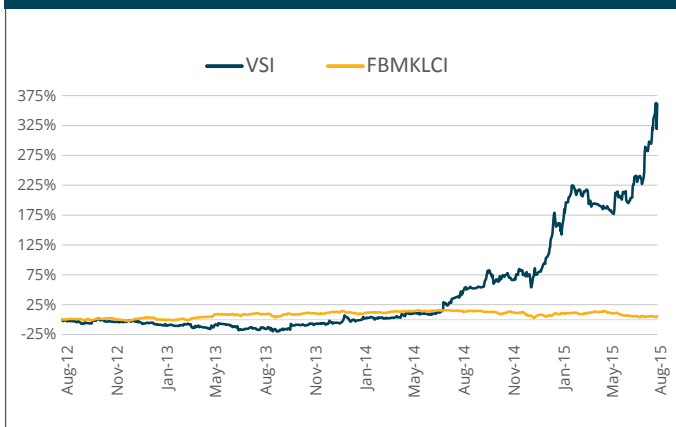
3.1%

FY15 DIVIDEND
YIELD

* Adjusted for 1-to-5 Share Split effective 11 September 2015

^ Inclusive of proposed final single tier dividend of 1.2 sen per share subject to shareholders' approval

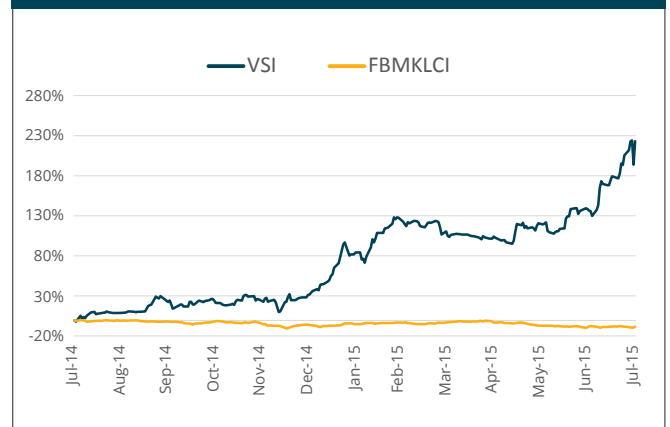
3-YEAR PERFORMANCE: VSI vs FBMKLCI



3-YEAR PERFORMANCE

VSI : 361%
FBMKLCI : 6%
OUTPERFORMANCE : 356%

1-YEAR PERFORMANCE: VSI vs FBMKLCI



1-YEAR PERFORMANCE

VSI : 232%
FBMKLCI : -8%
OUTPERFORMANCE : 240%

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

The global market experienced a challenging economic climate from mid-2014 to the first half of 2015, reflecting the impact of sharply fluctuating commodity prices and tighter financial conditions, on the back of constricted end-user demand for goods and services.

The plight of the unstable global economy was mirrored in the mixed economic fortunes, where advanced countries, led by the Eurozone and the USA, saw pockets of expansion, while emerging markets such as China contended with decelerated growth.

Despite all these, I am pleased to note that V.S. Industry Berhad (VS or the Group) performed commendably in the financial year ended 31 July 2015 (FY2015) due to our partnership with strong global brands, and focusing on offering our attractive combination of quality, value and service.

On behalf of the Board of Directors of the Group, I hereby present you with the Annual Report and audited financial results of the Group and Company for FY2015.

FY2015 FINANCIAL PERFORMANCE

Group revenue leaped to RM1.9 billion, 12.9% higher compared to RM1.7 billion previously, driven by higher sales orders across various customers.

The Malaysia operations was the Group's largest revenue contributor with RM1.3 billion, while China and Indonesia segments made up the balance RM525.9 million and RM80.8 million respectively.

The larger sales orders mainly for the export markets enabled the Group to enjoy economies of scale and increased production efficiency. Additionally, the enhanced product mix and weaker Ringgit versus the US Dollar during the period resulted in VS more than doubling its net profit to RM132.7 million in FY2015, from RM53.6 million a year ago.

Based on the enlarged share base of 1,155 million shares, basic earnings per share stood at 12.88 sen compared to 5.91 sen a year ago.

The Group stood in a stronger financial position with higher cash and cash equivalents of RM243.7 million compared to RM123.5 million a year ago, on stronger cash flows as well as proceeds from a private placement exercise. Shareholders' equity increased to RM777.0 million from RM526.2 million previously, due to higher retained earnings and enlarged share base pursuant to corporate exercises.

Despite total borrowings increasing slightly to RM412.2 million compared to RM409.8 million a year ago in line with higher working capital needs, the stronger financial position compressed the Group's net gearing to 0.2 time from 0.5 time previously.

RM1.90

BILLION REVENUE FOR FY2015

DIVIDENDS

VS distributed a total of four interim dividends in respect of FY2015, namely first, second, third and fourth dividends of 0.6* sen, 0.6* sen, 1.2* sen and 1.2 sen respectively.

In addition, the Board has recommended a final single tier dividend of 1.2 sen per share, subject to obtaining approval from shareholders at the forthcoming Annual General Meeting.

Assuming shareholders' approval for the final dividend, the aggregate dividend for the year under review would amount to 4.8 sen per share with dividend payout of RM53.9 million. Based on the Group's net profit attributable to owners of RM132.7 million, the Group has allocated 40.6% of net profits as dividends to shareholders, which is in tandem with VS' minimum 40% dividend policy.

* Adjusted for the 1-into-5 share split involving the subdivision of every RM1.00 ordinary share into five ordinary shares of RM0.20 each, effective 11 September 2015.

CORPORATE DEVELOPMENTS**Private Placement of up to 10% of the issued and paid-up share capital of VS**

On 19 June 2015, VS completed the private placement entailing the issuance and listing of 20.6 million new shares, or 10% of its outstanding share base, on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities).

The proceeds of RM78.8 million from the placement will be utilised for the working capital requirements and for the operating expenses necessary for the Group's day-to-day operations.

1-to-5 Share Split

Following the private placement, VS undertook a 1-to-5 share split, where 231 million VS shares of RM1.00 each were subdivided into 1,155 million shares of RM0.20 each. On 14 September 2015, VS completed the listing of and quotation for 1,155 million shares of RM0.20 each on the Main Market of Bursa Securities.

The Share Split was undertaken to make the shares more accessible to individual shareholders to participate in Group's growth prospects and also to enhance marketability and liquidity of the shares.

Proposed Bonus Issue of Warrants

On 19 October 2015, VS proposed a bonus issue of warrants of up to 290.8 million free warrants, on the basis of one bonus Warrant for every four existing shares held.

Assuming the 1-for-4 bonus warrants are fully exercised, the enlarged issued and paid-up share capital of VS would be 1,454 million shares, with potential proceeds of approximately RM479.8 million which would be utilised for working capital purposes.

The 1-for-4 bonus warrants exercise is pending approvals from shareholders and regulatory authorities, and is targeted for completion by first quarter of calendar year 2016.

ACKNOWLEDGEMENTS

I would like to thank all our employees for performing their best with commitment and dedication, which ultimately led to the Group's best-ever financial performance. I am equally elated with our management team for working and collaborating hand in glove towards a common goal of excellence.

FUTURE PROSPECTS

According to International Monetary Fund, global growth is expected to strengthen to 3.8% in 2016, compared to the 3.3% projected for 2015. Even so, the future remains largely uncertain, what with the fast-changing technological evolution in EMS sector.

As we enter the financial year ending 31 July 2016 (FY2016), VS intends to sustain efforts on reinforcing and strengthening our expertise in the EMS sector. Furthermore, the Group will be focusing on enhancing our Research and Development (R&D) capabilities to capture higher-value added processes and establish a sharper competitive edge over other players. We believe that this steadfast focus on constant skill enhancement and value-add will bode well for our long-term sustainability.

CORPORATE GOVERNANCE

The Board strongly believes and is committed to application of principles of the Malaysian Code on Corporate Governance. We believe that it is important to not just to achieve the company's objectives but also to balance stakeholders' interests in the larger context.

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

CORPORATE RESPONSIBILITY (CR)

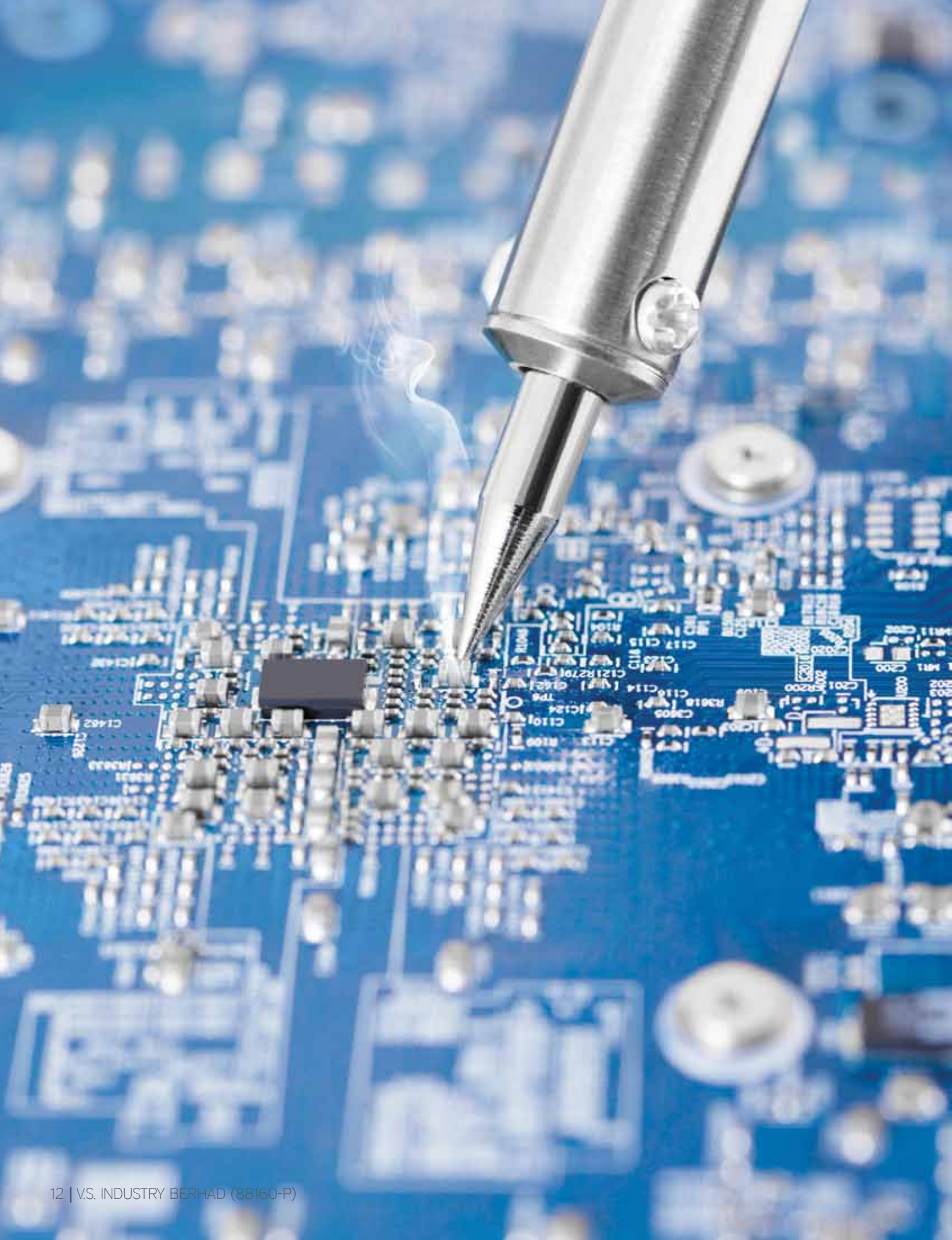
The Group's Sustainability Policy contained in this Annual Report underlines the basic principles toward implementing our CR initiatives to enhance the wellbeing of the wide population.

As a part of EMS sector, it is our responsibility to ensure that our business practices are socially, environmentally and economically sustainable. Corporate responsibility is at the heart of our business and strategy.

At VS, we aim to nurture our people's talents and to establish VS as the employer of choice by providing conducive working environment, benefits and remunerations along with a workplace for our employees to grow further.

We would also like to thank all our shareholders, customers, suppliers, and business partners for their full support. We look forward to continue this growth momentum in the coming years.

Datuk Beh Kim Ling
Chairman



FACE-TO-FACE WITH THE MANAGEMENT

COULD YOU OUTLINE VS' KEY MILESTONES IN FY2015?

FY2015 was an exciting and eventful year for VS, amidst the fast-changing technological evolution, the volatile economy and the intense global competition in the EMS sector.

For one thing, VS continued to gain customers' trust, which is reflected in the Group securing larger sales orders, be they for existing or new product lines. This in turn, helped the Group to achieve a record-high revenue in our 33-year history totalling RM1.9 billion, marking a 12.9% increase compared to the previous year.

Additionally, we focused on enhancing our overall competitiveness by maintaining rigorous cost-control and striving to become more efficient in production. The higher sales volume, coupled with past investments in advanced manufacturing capacities and capabilities, enabled us to enjoy a greater degree of efficiency and economies of scale.

Furthermore, as the majority of the products by VS were eventually exported to the United States, Australia, Japan and European countries, we leveraged on the weaker Ringgit versus the US Dollar to improve our competitive edge.

All in all, these accomplishments helped VS to not just continue to be included among the world's top 50 EMS providers according to the Manufacturing Market Insider, but also to move up to rank 25th in 2014, from 31st a year ago.

WHAT ARE THE MAJOR CHALLENGES YOU FORESEE GOING FORWARD?

The moderated pace of growth in global economies is quite likely to be reflected in the dampened consumer spending worldwide. Given this, we do anticipate to witness a keener level of competition in the EMS sector, in light of a potentially demand-constricted environment.

Closer to home, the Malaysian government regulations regarding the further upward revision of minimum wages from calendar year 2016 onwards is expected to adversely impact the domestic manufacturing sector. Invariably such labour cost hikes would be a likely precursor to other subsequent price increases, including for support functions and related services.

The higher sales volume, coupled with past investments in advanced manufacturing capacities and capabilities, enabled us to enjoy a **GREATER DEGREE OF EFFICIENCY** and **ECONOMIES OF SCALE**

WHAT ARE YOUR PLANS FOR FY2016 AND GOING FORWARD?

The Group has remained relevant to and adequately supported customers' EMS requirements for over three decades. To this end, we will continue putting in our best efforts to be our customers' partner whether it be developing and designing new products, or ramping up production to enable them expand their market share and/or penetrate into new markets.

Also, we are constantly on the lookout to diversify our customer portfolio. South East Asia is becoming increasingly attractive as an outsourcing destination, with relatively-affordable labour costs, protection of Intellectual Property rights, and propensity to achieve high standards of product quality. We believe that our proven capabilities and track record of serving renowned market leaders sets the platform for expanding our clientele even further.

In addition to that, we intend to place greater emphasis on capturing higher value-added activities in R&D and designing, so as to collaborate even more effectively with customers in achieving superior features and/or greater cost-savings. We trust that working hand in glove with customers to innovate and create new product offerings and prototypes would help in sustaining our growth momentum well into the future.

Finally, with our expansion-ready financial position, we also considering the merger & acquisition (M&A) route of related businesses to complement our organic growth.

While mindful of the challenges that lay ahead, backed by these growth plans, we are confident that the coming years would surely be an exciting phase for VS, as we make our mark in the global EMS sector.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Third Annual General Meeting (“33rd AGM”) of **V.S. INDUSTRY BERHAD** (“VSI” or “the Company”) will be held at Perwira 1, Le Grandeur Palm Resort Johor, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor on Tuesday, 5 January 2016 at 10.00 a.m. for the following purposes:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 July 2015 together with the Directors’ and Auditors’ reports thereon. **(Please refer to Note No. 1)**
2. To approve the payment of a final single tier dividend of 1.2 sen per ordinary share of RM0.20 each for the financial year ended 31 July 2015. **RESOLUTION 1**
3. To approve the payment of Directors’ fees totalling RM412,000 for the financial year ended 31 July 2015. **RESOLUTION 2**
4. To re-elect the following Directors retiring in accordance with the Articles of Association of the Company:
 - (a) Datuk Gan Sem Yam - Article 93 **RESOLUTION 3**
 - (b) Mr Tang Sim Cheow - Article 93 **RESOLUTION 4**
 - (c) Mr Pan Swee Keat - Article 93 **RESOLUTION 5**
5. To re-appoint the retiring Auditors, Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration. **RESOLUTION 6**

SPECIAL BUSINESS

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

6. **ORDINARY RESOLUTION**
Proposed Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

“THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

RESOLUTION 7

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

"THAT, subject to compliance with the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, regulations and guidelines of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to allocate an amount not exceeding the total audited share premium and retained profits of the Company for the purpose of and to purchase such amount of ordinary shares of RM0.20 each ("VSI Shares") in the Company as may be determined by the Directors of the Company from time to time through the Bursa Securities as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company.

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

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

- i. the conclusion of the next Annual General Meeting of the Company at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- ii. the expiration of the period within which the next Annual General Meeting after that is required by law to be held; or
- iii. revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

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

RESOLUTION 8

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

8. ORDINARY RESOLUTION

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with V.S. International Group Limited, its subsidiaries and associates as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 27 November 2015, 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 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

RESOLUTION 9

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 27 November 2015, subject to the following:

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

- (ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited is in force; and

- (iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited is subject to annual renewal and will continue to be in full force until:
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

RESOLUTION 10

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

10. ORDINARY RESOLUTION

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 27 November 2015, subject to the following:

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

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

- (iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd is subject to annual renewal and will continue to be in full force until:
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

RESOLUTION 11

11. ORDINARY RESOLUTION**Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Beeantah Pte. Ltd. ("Proposed Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd.")**

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Beeantah Pte. Ltd. as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 27 November 2015, 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 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

RESOLUTION 12

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

12. **ORDINARY RESOLUTION**

Retention of Independent Director

"That Tan Sri Mohd Nadzmi Bin Mohd Salleh be retained as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

RESOLUTION 13

13. **ORDINARY RESOLUTION**

Retention of Independent Director

"That Mr Pan Swee Keat be retained as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

RESOLUTION 14

14. **ORDINARY RESOLUTION**

Retention of Independent Director

"That Mr Tang Sim Cheow be retained as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

RESOLUTION 15

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

Further notice is hereby given that for the purpose of determining a member who shall be entitled to attend the 33rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 23 December 2015. Only a depositor whose name appears on the Record of Depositors as at 23 December 2015 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

ANG MUI KIOW
CHIAM MEI LING
Secretaries

Johor Bahru
27 November 2015

NOTES:

1. Audited Financial Statements

This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the members/shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Form of Proxy

- i. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
- ii. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- iii. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
- iv. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

Where a Member or authorised nominee appoints two (2) proxies, or where an Exempt Authorised Nominee appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

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

3. Explanatory Notes on Special Business

i. Proposed Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution No. 7, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued capital of the Company up to an amount not exceeding in total ten percent (10%) of the total issued and paid-up share capital of the Company for such purposes and to such person or persons as the Directors in their absolute discretion consider to be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The mandate sought under Ordinary Resolution No. 7 above is a renewal of an existing mandate and the proceeds raised from the previous mandate for the period from 5 January 2015 to 31 October 2015 (latest practicable date) were as follows:

- a. RM17.90 million pursuant to the Company's Employees' Share Option Scheme which was approved at Extraordinary General Meetings held on 19 November 2010 (which was subsequently terminated on 8 May 2015) and 8 May 2015; and
- b. RM78.82 million arising from private placement.

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

The proceeds raised had been partially utilised for working capital.

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

ii. **Proposed Renewal of Shareholders' Approval for Share Buy-Back**

The proposed Resolution No. 8, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the total issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information on the Proposed Share Buy-Back, please refer to the Share Buy-Back Statement dated 27 November 2015 accompanying the Company's 2015 Annual Report.

iii. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")**

The proposed Resolutions No. 9 to 12, if passed, will authorise the Company and/or its subsidiaries to enter into RRPTs with the respective related parties as set out in Section 2.3, Part B, the Circular to the Shareholders dated 27 November 2015. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information on the Proposed Renewal of Shareholders' Mandate for RRPTs, please refer to the Circular to Shareholders dated 27 November 2015 which was circulated together with the 2015 Annual Report.

iv. **Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance 2012 (Resolution 13, Resolution 14 and Resolution 15)**

(a) **Tan Sri Mohd Nadzmi Bin Mohd Salleh**

Tan Sri Mohd Nadzmi Bin Mohd Salleh was appointed as an Independent Non-Executive Director of the Company on 24 October 1996 and has, therefore served for more than nine (9) years. As at the date of the notice of the 33rd AGM, he has served the Company for 19 years. However, he has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR"). The Board, therefore, considers him to be independent and believes that he should be retained as Independent Non-Executive Director.

(b) **Mr Pan Swee Keat**

Mr Pan Swee Keat was appointed as an Independent Non-Executive Director of the Company on 22 May 2001 and has, therefore served for more than nine (9) years. As at the date of the notice of the 33rd AGM, he has served the Company for 14 years. However, he has met the independence guidelines as set out in Chapter 1 of the MMLR. The Board, therefore, considers him to be independent and believes that he should be retained as Independent Non-Executive Director.

(c) **Mr Tang Sim Cheow**

Mr Tang Sim Cheow was appointed as an Independent Non-Executive Director of the Company on 1 October 2004 and has, therefore served for more than nine (9) years. As at the date of the notice of the 33rd AGM, he has served the Company for 11 years. However, he has met the independence guidelines as set out in Chapter 1 of the MMLR. The Board, therefore, considers him to be independent and believes that he should be retained as Independent Non-Executive Director.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders at the Thirty Third Annual General Meeting, a final single tier dividend of 1.2 sen per ordinary share of RM0.20 each for the financial year ended 31 July 2015, will be paid on 29 January 2016 to those registered in the Record of Depositors at the close of business on 19 January 2016.

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 19 January 2016 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 THIRD ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. The Directors standing for re-election are:

(a)	Datuk Gan Sem Yam	- Article 93	RESOLUTION 3
(b)	Mr Tang Sim Cheow	- Article 93	RESOLUTION 4
(c)	Mr Pan Swee Keat	- Article 93	RESOLUTION 5

Further details of the above named Directors and their interest in the securities of the Company are set out in the Profile of Directors on page 26 to page 28 and page 132 of the Annual Report respectively.



DIRECTORS' PROFILE

Datuk Beh Kim Ling

Executive Chairman

Datuk Beh Kim Ling, aged 57, a Malaysian, was appointed to the Board on 4 August 1982. He brings to the Board more than thirty years of contract manufacturing experience in the plastic injection and electronics & electrical assembly industries.

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

He holds directorship positions in various subsidiary companies of the Company and also in other private limited companies. Datuk Beh is the brother-in-law to Datuk Gan Sem Yam and Dato' Gan Tiong Sia. Datuk Beh has no other conflict of interest with the Group except for those transactions as disclosed in Note 29 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

Datuk Gan Sem Yam

Managing Director

Datuk Gan Sem Yam, aged 59, a Malaysian, is the Managing Director of V.S. Industry Berhad. He is also a member of the Nomination and Remuneration Committees.

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

Datuk Gan was instrumental in the business integration and expansion of the Group since 1990. He sits on the board of various subsidiary companies of the Company and also holds directorship in other private limited companies. Datuk Gan is the brother to Datin Gan Chu Cheng and Dato' Gan Tiong Sia and brother-in-law to Datuk Beh Kim Ling. Datuk Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 29 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

Tan Sri Mohd Nadzmi bin Mohd Salleh

Senior Independent Non-Executive Director

Tan Sri Mohd Nadzmi bin Mohd Salleh aged 61, a Malaysian, joined the Board on 24 October 1996. He was nominated as the Senior Independent Non-Executive Director on 1 August 2005, and is a member of the Audit Committee.

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

He is also the Executive Chairman of Express Rail Link Sdn. Bhd. and Nadicorp Holdings Sdn. Bhd.. He is also Chairman/Managing Director of Konsortium Transnasional Berhad, and Transocean Holdings Berhad.

Tan Sri Mohd Nadzmi obtained a Bachelor of Arts Degree in Economics and a Bachelor of Science Degree in Chemistry and Mathematics from Ohio University, USA in 1978. He later obtained a Master of Arts Degree in Economics and Statistics from Miami University, USA in 1980. Tan Sri Mohd Nadzmi does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

Datin Gan Chu Cheng*Executive Director*

Datin Gan Chu Cheng, aged 61, a Malaysian, was appointed to the Board on 4 August 1982. She is responsible for the finance and corporate planning of the Group. Together with her husband, Datin Gan established V.S. Industry Berhad in 1982. Equipped with good business acumen and more than 20 years of enterprise building experience, she had played a key role in the Group's expansion, both locally and overseas.

She sits on the board of various subsidiary companies of the Company and also holds directorship in other private limited companies. Datin Gan is the spouse of Datuk Beh Kim Ling and sister to Datuk Gan Sem Yam and Dato' Gan Tiong Sia. Datin Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 29 to the financial statements. She has not been convicted of any offences within the past ten (10) years.

Dato' Gan Tiong Sia*Executive Director*

Dato' Gan Tiong Sia, aged 55, a Malaysian, was appointed to the Board on 27 February 1988. He joined the Company in 1982 as a Management Trainee and was promoted to Marketing Manager in 1986. He is responsible for the overall marketing function of the Group.

He also sits on the board of various subsidiary companies of the Company. Dato' Gan is the brother to Datin Gan Chu Cheng and Datuk Gan Sem Yam and brother-in-law to Datuk Beh Kim Ling. Dato' Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 29 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

Ng Yong Kang*Executive Director*

Ng Yong Kang, aged 54, a Malaysian, 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 does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

DIRECTORS' PROFILE

(cont'd)

Pan Swee Keat

Independent Non-Executive Director

Pan Swee Keat, aged 52, a Malaysian, joined the Board on 22 May 2001. He is the Chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee.

He has wide experience in auditing, accounting, banking and finance, including Assistant Accountant with Hong Leong Industries Berhad, Senior Audit positions in KPMG, Assistant Manager with Affin Finance Berhad, Audit Manager with Pang Fee Yoon & Co, an audit firm in Malacca, and dealer representative with Straits Securities Sdn. Bhd.

He is currently a consultant with Cheng & Co, a firm of Chartered Accountants who specializes in audit and accounting, after his accounting firm, PSK & Co, merged with Cheng & Co in July 2012. He completed his Association of Chartered Certified Accountants ("ACCA") programme at Emile Woolf College, London, and became an associate member of Chartered Association of Certified Accountants (UK) in 1992. He is a fellow member of ACCA.

Mr. Pan does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

Tang Sim Cheow

Independent Non-Executive Director

Tang Sim Cheow, aged 56, a Malaysian, was appointed to the Board on 1 October 2004. He is the Chairman of the Audit Committee and Nomination Committee, and a member of the Remuneration Committee.

He is a Chartered Accountant registered with the Malaysian Institute of Accountants, an associate member of the Malaysian Institute of Certified Public Accountants and a fellow member of the Chartered Tax Institute of Malaysia. He graduated from University of Malaya with a Bachelor of Accountancy (Honours) Degree in 1984.

Mr. Tang has extensive experience in taxation, auditing and corporate planning and restructuring, including a 17-year attachment with KPMG, an international accounting firm. Currently he operates an auditing firm, S C Tang & Associates.

Mr. Tang does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

Chong Chin Siong

Alternate Director to Datin Gan Chu Cheng

Chong Chin Siong, aged 48, a Malaysian, 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 ten (10) years.

CORPORATE GOVERNANCE STATEMENT

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

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

A. PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The Board retains full and effective control over the affairs of the Company and the Group. It provides stewardship to the Group's strategic direction and operations in order to enhance shareholders' value. The Directors, with their sharp business acumen coupled with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise to enable the Board to lead and control the Company effectively.

The Board Charter adopted by the Board clearly sets out the roles and responsibilities of the Board. The Board Charter and the Corporate Governance Statement are made available in the Company's website and will be periodically reviewed.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. During the financial year ended 31 July 2015, the Board has convened four (4) meetings at which, among other things, the following activities were conducted:-

- Approved the annual report for the financial year ended 31 July 2014 and matters to be considered at the 2015 annual general meeting;
- Reviewing and adopting strategic corporate plans for the Group;
- Approving the Group's annual budget, including major capital commitments and carries out periodic review of the achievements against business targets;
- Approving new ventures, material acquisitions and disposals of undertaking and properties;
- Approved the quarterly results of the Group;
- Overseeing and evaluating the conduct of the Group's business;
- Identifying principal risks and ensuring the implementation of a proper risk management system and mitigation measures to manage these risks;
- Approved the grant of share options to the Directors and employees of the Group;
- Developing and implementing of investor relations program; and
- Reviewing the adequacy and the integrity of the management information and internal controls systems of the Group

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which can be viewed from CCM's website at www.ssm.com.my.

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

The Group is committed to operating in a sustainable manner and seek to contribute positively to the well-being of stakeholders. Details of the Group's key corporate responsibility is furnished in the Sustainability Report on page 39 of the Annual Report.

All Directors, whether as a Board or in their individual capacity have full access to information within the Group and to obtain independent professional advice in furtherance of their duties at the Group's expense, if required. In addition, all Directors have access to the advice and services of the Company Secretary in carrying out their duties. The Company Secretary advises the Board on any updates relating to compliance with regulatory requirements, codes, guidance and legislation pertaining to the Company. The Company Secretary also serves notice to Directors on the closed periods for trading in the Company's shares, in accordance with Chapter 14 on Dealings in Listed Securities of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

CORPORATE GOVERNANCE STATEMENT

(cont'd)

B. PRINCIPLE 2: STRENGTHEN COMPOSITION

The Company's Articles of Association provide that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire at each year are the Directors who have been longest in office since their appointment or re-election. The Articles of Association also provide that all Directors shall retire from office at least once in every three years but shall be eligible for re-election.

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

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

The membership of the Nomination Committee are as follows:

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

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

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

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

- To review the structure of the Board periodically and recommend changes when necessary to the Board;
- To identify new appointees for the Board and consider the required mix of skill and experience which the Directors should bring to the Board;
- To assess the effectiveness of the Board and the contribution of individual Directors; and
- To recommend Directors to fill the seat on Board Committee.

The Board through the Nomination Committee, reviews annually its required mix of skills and experience and other qualities, which Directors should bring to the Board to discharge its responsibilities in an effective and competent manner.

The Nomination Committee carried out its duties in accordance with its Terms of Reference and the main activities carried out by the Nomination Committee during the financial year were set out below:

- (a) considered and reviewed the Board's present size, structure and composition of the Board as well as the required mix of skills, experience and competency required;
- (b) assessed and recommended to the Board for the continuation of service of the Directors who are eligible to stand for re-election based on the schedule of retirement by rotation; and
- (c) assessed the independence of the Independent Directors who have served in the said capacity for more than nine years and recommended to the Board for the continuation of service.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

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

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

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

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

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

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

Details of the nature and the amount of the Directors' remuneration paid or payable by the Group for the financial year ended 31 July 2015 are as follows:

	Executive Directors	Non- Executive Directors	Total
	RM'000	RM'000	RM'000
Basic Salary	10,438	-	10,438
Bonus	1,840	-	1,840
Performance Incentive (inclusive EPF)	6,000*	-	6,000
Allowance	650	-	650
EPF	1,026	-	1,026
Socso	7	-	7
Benefits-in-kind	102	-	102
Fees	196	406	602
	20,259	406	20,665

* The Executive Directors resolved to allocate RM1.0 million out of their entitlement under the Performance Incentive Scheme to the management staff. The above figure is net of RM1.0 million waived by the Executive Directors.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

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

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM 50,001 to RM 100,000	-	1
RM 100,001 to RM 150,000	-	1
RM 150,001 to RM 200,000	-	1
RM1,250,001 to RM1,300,000	1	-
RM2,050,001 to RM2,100,000	1	-
RM3,300,001 to RM3,350,000	1	-
RM3,450,001 to RM3,500,000	1	-
RM4,700,001 to RM4,750,000	1	-
RM5,450,001 to RM5,500,000	1	-
	6	3

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

C. PRINCIPLE 3: REINFORCE INDEPENDENCE

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

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

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

There is clear division of responsibilities between the Executive Chairman and Managing Director to ensure a balance of power and authority in managing the Group. The primary responsibilities of the Executive Chairman, among others, are providing overall leadership to the Board and ensuring that the Group's corporate objectives are met. The Managing Director is primarily responsible for making and implementing operational decisions and managing the day-to-day operations of the Group.

The Board has not established any gender diversity policy but currently has a female Director on the Board.

The Board has adopted the same criteria used in the definition of "independent directors" prescribed by the MMLR to assess independence of directors. For the financial year ended 31 July 2015, each of the Independent Non-Executive Directors has declared his independence to the Board based on its policy on criteria of assessing independence in line with the definition of "independent directors" prescribed by MMLR. The Board has assessed and concluded that each of the Independent Non-Executive Directors continue to demonstrate conduct and behavior that are essential indicators of independence, and each of them is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company.

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

D. PRINCIPLE 4: FOSTER COMMITMENT

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

The Board meets on a quarterly basis and additionally as required. Quarterly meetings are scheduled in advance annually for the Directors to plan ahead of their schedules. The Board reviews, amongst others, the performance of the major unlisted operating subsidiaries of the Company and approves the quarterly results of the Group. The Board tracks the performance of the management against the annual plan submitted for each financial year.

Notice of meetings setting out the agenda and accompanied by the relevant Board papers are given to the Directors in sufficient time to enable the Directors to peruse, obtain additional information and/or seek further clarification on the matters to be deliberated.

Details of each existing Director's meeting attendances are as follows:

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

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

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

CORPORATE GOVERNANCE STATEMENT

(cont'd)

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

Name of Director	Topic of seminar/briefing
Datuk Beh Kim Ling	• Risk Management for Directors and Senior Management And Guidelines on Statement of Risk Management & Internal Control
Datuk Gan Sem Yam	• Risk Management for Directors and Senior Management And Guidelines on Statement of Risk Management & Internal Control
Datuk Gan Chu Cheng	• Risk Management for Directors and Senior Management And Guidelines on Statement of Risk Management & Internal Control
Dato' Gan Tiong Sia	• Risk Management for Directors and Senior Management And Guidelines on Statement of Risk Management & Internal Control
Ng Yong Kang	• Risk Management for Directors and Senior Management And Guidelines on Statement of Risk Management & Internal Control
Tan Sri Mohd Nadzmi bin Mohd Salleh	• Rethinking Strategy : Has Competitive Advantage Ended?
Tang Sim Cheow	• National Tax Conference 2014 • Audit Committee Breakfast Roundtable • National GST Conference 2015 • LHDNM – CTIM Tax Forum 2015 • Focus Group Session on Strengthening Corporate Governance Disclosure • Risk Management for Directors and Senior Management And Guidelines on Statement of Risk Management & Internal Control
Pan Swee Keat	• Corporate Governance • Risk Management • Risk Management for Directors and Senior Management And Guidelines on Statement of Risk Management & Internal Control
Chong Chin Siong	• KPMG Tax Summit 2014 • Focus Group Session on Strengthening Corporate Governance Disclosure • Advocacy Session on Management Discussion and Analysis for Chief Executive Officers and Chief Financial Officers • Risk Management for Directors and Senior Management And Guidelines on Statement of Risk Management & Internal Control

E. PRINCIPLE 5: UPHOLD INTEGRITY AND FINANCIAL REPORTING

The Board aims to present a balanced and understandable assessment of the Group's financial performance and prospects through the quarterly announcements of results to shareholders as well as the Chairman's statement in the annual report. The Audit Committee assists the Board in overseeing the Group's financial reporting processes and the quality of its financial reporting.

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

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

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

F. PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

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

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

The Statement on Risk Management and Internal Control furnished on page 41 to 42 of the Annual Report provides an overview of the state of internal controls within the Group.

G. PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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

The Board acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public at large.

The Board has ensured that relevant disclosure requirements required by Bursa Malaysia Listing Requirements are complied with.

The Group maintains a corporate website at www.vs-i.com which provides information relating to corporate information, financial calendar, dividend history, capital changes, corporate factsheet, annual reports, press release, analyst reports, quarterly results and etc. In line with the Code, the Board Charter, Memorandum and Articles & Association of the Company and other relevant and related documents or reports relating to Corporate Governance would be made available on the aforesaid website.

H. PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Company recognizes the importance of maintaining effective communication with its investors and shareholders and does this through the annual report, announcement to the Bursa Securities, Company website and meeting with analysts and fund managers.

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

CORPORATE GOVERNANCE STATEMENT

(cont'd)

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

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

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

The rights of shareholders, including the rights to demand for a poll, are found in the Articles of Association of the Company and a copy has been made available on the Company's website.

I. OTHER INFORMATION

(i) Material Contracts

Other than the related party transactions entered into in the ordinary course of business as disclosed in Note 29 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 2015 or entered into since the end of the previous financial year.

(ii) Non-Audit Fees

During the financial year ended 31 July 2015, the non-audit fee incurred for services rendered to the Group by the Company's external auditors amounted to RM9,000.

(iii) Share Buy-back

Details of share repurchased during the financial year ended 31 July 2015 are as follows:

Month	No. of shares repurchased	Lowest price paid RM	Highest price paid RM	Average price paid RM	Total consideration RM
October 2014	20,000	2.29	2.31	2.32	46,337

As at the end of the financial year, a total of 1,149,336 of the repurchased shares are being held as treasury shares and carried at cost. There is no resale of treasury shares or cancellation of shares during the financial year.

(iv) Options, Warrants or Convertible Securities

During the financial year ended 31 July 2015, save for the Employees' Share Option Scheme, there was no issuance of options, warrant or convertible securities.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

(v) Utilisation of Proceeds

The utilisation of the proceeds raised from the private placement involving 20.58 million of ordinary shares is as follows:-

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Time frame for utilisation
Working capital	78,321	6,169	6 months
Estimated expenses	500	652 ⁽¹⁾	1 month
	78,821	6,821	

Note:

⁽¹⁾ The additional expenses were due to other incidental cost incurred in connection to the private placement.

(vi) Employees' Share Option Scheme

The Company has one Employees' Share Option Scheme ("ESOS") in existence as at 31 July 2015. Details of the scheme since the commencement are as follows:-

	Number of options over ordinary shares of RM1.00 each ('000)		
	Directors	Employees	Total
Total options granted	5,400	25,400	30,800
Total options exercised/lapsed	(510)	(1,405)	(1,915)
Total options outstanding	4,890	23,995	28,885

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.

During the financial year and since the commencement of the scheme, 35.13% of the options granted under the scheme have been granted to Directors and senior management.

Options granted to and exercised by the Non-Executive Directors during the financial year are as follows:-

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

CORPORATE GOVERNANCE STATEMENT

(cont'd)

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

At the Annual General Meeting held on 5 January 2015, 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 28 November 2014.

In accordance with Section 3.1.5 of Practice Note No. 12 of the MMLR of Bursa Securities, the details of recurrent related party transactions conducted during the financial year ended 31 July 2015 pursuant to the shareholders' mandate are disclosed as follows:

Transacting Parties	Related Parties	Nature of Transactions	Amount transacted during the financial year RM'000
VSI and Datuk Beh Kim Ling	Datuk Beh Kim Ling	Rental of two (2) units of single storey terrace houses to VSI as hostel	12
VSI and Beh Chu Hiok	Datuk Beh Kim Ling	Rental of one (1) unit of single storey terrace house to VSI as hostel	5
VSI and Gan Siew Tang	Datin Gan Chu Cheng Datuk Gan Sem Yam Dato' Gan Tiong Sia Datuk Beh Kim Ling	Rental of one (1) unit of single storey terrace house to VSI as hostel	7
VSI Group and VSIG Group	Datuk Beh Kim Ling Datin Gan Chu Cheng Datuk Gan Sem Yam Dato' Gan Tiong Sia	Purchases of tooling, bins, resins, plastic component parts and equipments	5,307
VSI Group and VSME/Serumi	Datuk Gan Sem Yam Dato' Gan Tiong Sia	Sales of plastic or electronic component, parts and products	1,291
VSI Group and Lip Sheng International Ltd / Lip Sheng Precision (Zhuhai) Co., Ltd	Datin Gan Chu Cheng Datuk Gan Sem Yam Dato' Gan Tiong Sia Datuk Beh Kim Ling	Purchases of tooling, sales related to tooling fabrication and sales commission income	3,628
VSI Group and Beeantah Pte Ltd	Datuk Gan Sem Yam	Purchases of small metal parts, resins, etc	16,298
VSI Group and Inabata Group	Inabata & Co., Ltd	Purchases of resins and equipments	8,357

Abbreviations

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

SUSTAINABILITY POLICY

At VS, we have embraced corporate responsibilities as an integral part of carrying out our business. We are always mindful of the importance of environmental sustainability and a commitment to be a benefit to the larger society as well as to safeguard the welfare of our employees.

We focus on 4 main corporate responsibilities pillars:-

ENVIRONMENT

- We remain compliant with rules and regulations across various aspects, such as noise, waste water and air quality monitoring, ducting systems for exhaust ventilation, and handling all hazardous substances.
- Our procurement and manufacturing practices are in line with “green” principles.
- We minimize the impact to the environment by reducing materials consumption through recycle all waste materials.
- We manage and dispose of all waste in a responsible manner. For instance, we has built a scheduled waste store with second containment to prevent spillage into inland water and an oil trap filtration system to filter cooking oil and other solids from the canteen’s waste water.

WELFARE OF THE EMPLOYEES

- We endeavour to ensure a safe and healthy working environment for our employees. We became the pioneer company in Southern Peninsular Malaysia to implement the Contractor Safety Passport Systems (CSPS) in collaboration with the National Institute of Occupational Safety and Health (NIOSH). The CSPS certifies contractors and workers’ competency in conducting their jobs in a safe and risk-free manner.
- We ensure that every employee is treated fairly. We attained the Fair Working Condition (FWC) Awards in 2008.
- We value our employees by enhancing our employees’ skills and knowledge through staff training and development.

COMMUNITY

- We provide assistance in cash and in kind towards local authorities and community groups.

MARKETPLACE

- We ranked alongside top global EMS providers – making the list into the world’s top 50 EMS providers for 8 consecutive years from 2007 to 2014.
- We commit excellence on product innovation, via the undertaking of continual R&D initiatives with our customers.
- We focus on continuously developing our existing clients to create long-term partnerships.
- We endeavour to comply with best practices under the Malaysian Code on Corporate Governance. A sound system of corporate governance is in place to enhance and protect shareholders’ value for the long term.

AUDIT COMMITTEE REPORT

MEMBERSHIP

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

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

MEETINGS

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

The Executive Directors, the representative of the Internal Audit, the representatives of the external auditors, Messrs KPMG, members of the management and employees of the Group were present as and when invited. The Audit Committee members have met with the external auditors twice without the presence of management during the financial year.

Details of attendance are listed below:

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

TERMS OF REFERENCE

The details of the terms of reference of the Audit Committee are available in the Company's website.

SUMMARY OF ACTIVITIES

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

- i. Reviewed the quarterly unaudited financial results and announcement prior to recommending the same for the Board's approval.
- ii. Reviewed the external auditors' scope of work and audit plan for the financial year.
- iii. Reviewed with the external auditors the results of the audit, the audit report and the management letter.
- iv. Reviewed the annual audited financial statements prior to recommending the same for the Board's approval.
- v. Reviewed the annual internal audit planning and internal audit reports.
- vi. Reviewed the report on the verification of the allocation of the Employees' Share Option Scheme ("ESOS") conducted by the Internal Auditors to ensure compliance with the criteria for allocation of options pursuant to the scheme.
- vii. Reviewed the related party transactions entered into by the Group.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by an independent internal audit department. The main role of the department is to undertake independent, regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems are operating and continue to operate satisfactorily and effectively. The total costs incurred in connection with the internal audit function during the financial year amounted to RM809,000.

Further details of the activities of the internal audit department are set out in the Statement on Risk Management and Internal Control on page 41 to 42 of the Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors recognizes the importance of a sound system of internal controls to safeguard the Group's assets and to enhance shareholders' value. In compliance with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board is pleased to provide the following statements, which outline the nature and scope of the risk management and internal control system in the Group during the financial year.

BOARD'S RESPONSIBILITY

The Board acknowledges their responsibility in establishing a sound risk management framework and internal control system within the Group. They are responsible for reviewing the risk management framework, processes and to provide reasonable assurance that risks are managed within tolerable ranges and to embed risk management in all aspects of business activities and ensure implementation of appropriate control measures to manage the risks.

The Board confirms that there is an ongoing risk management process established to identify, evaluate and manage significant risks to effectively mitigate the risks that may impede the achievement of business and corporate objectives of the Group.

Due to the inherent limitations in any system of internal controls, such a system is designed to monitor and mitigate the effects rather than to eliminate risks of failure to achieve business and corporate objectives, and can only provide a reasonable and not absolute degree of assurance that assets are safeguarded against material misstatement, fraud or losses.

The Board is of the view that the process is in place for the year under review and up to the date of approval of this statement for inclusion in the annual report is adequate and effective.

RISK MANAGEMENT PROCESSES

The Board through the Audit Committee reviews the adequacy and integrity of the systems of internal control on a quarterly basis.

A Risk Management Committee ("RMC") is established by the Board to assist the Board to identify and assess the risks and to ensure that adequate control system are implemented to mitigate significant risks faced by the Group.

The RMC of the subsidiaries in the People's Republic of China is established during the year. The RMC is in the process of setting up the risk management framework for these subsidiaries.

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 for Malaysian entities to identify, evaluate, monitor and manage all key risks faced by the Group. In this regard, Risk Management Unit ("RMU") have been established to:-

1. Identify the risks relevant to the business objectives and strategies of the Group;
2. Design, implement and monitor the risk management framework in accordance with the Group's strategic vision and overall risk appetite; and
3. Identify changes to risk or emerging risks, take actions as appropriate, and promptly bring these to the attention of the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

RMU consists of nominated employees from each Department or business area and is headed by the Head of Business Unit i.e. General Managers.

Under the ERM Framework, the Group adopted the self-assessment approach where each RMU is required to identify risks and evaluate controls within key functions or activities of their business process on an annual basis.

A risk executive summary with the identified risks and / or action plans of the respective companies are presented to the Risk Management Committee for review during the Risk Management Committee Meeting held annually.

INTERNAL CONTROL PROCESSES

The key aspects of the Internal Control process of the Group are:-

- The Board and the Audit Committee meets every quarter to discuss matters raised by Management and Internal Audit on business and operational matters. The Managing Director also reports to the Board on significant changes in business and external environment.
- Quarterly financial reports which include key financial information of major subsidiaries are submitted to the Board by the Group Financial Controller.
- 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.
- Adequate insurance and physical safeguards on major assets are in place to ensure assets of the Group are sufficiently covered.
- A Code of Ethics for all employees which defines the ethical standards and conduct at work is communicated to all employees.

INTERNAL AUDIT DEPARTMENT

Internal Audit Department is independent of operational activities and carries out its functions according to the standards set by the professional bodies. The Internal Audit Department is responsible in assisting the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's risk management and internal control system.

The Internal Audit Department reviews the internal controls of the Group's operations and activities based on the annual audit plan approved by the Audit Committee. On a quarterly basis, audit reports, incorporating the findings, recommendations and management's response and action plans are tabled at the Audit Committee meetings.

Internal Audit Department also conducts subsequent follow-up review to ensure that Management has dealt with the recommendations and taken appropriate actions satisfactorily.

ASSURANCE FROM MANAGEMENT

The Board continues to take measures to strengthen the control environment through the above processes. During the current financial year and to the date of this report, the Board is not aware of any material losses caused by significant weaknesses or deficiencies in the Group's risk management and internal control system.

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 based on the risk management and internal control system adopted by the Group.

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2015.

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.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	132,739	3,699
Non-controlling interests	(7,274)	--
	<u>125,465</u>	<u>3,699</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the statement of changes in equity of the Group and Company.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i) a second interim single tier dividend of 2.5 sen per ordinary share of RM1.00 each totalling RM4,628,194 in respect of the year ended 31 July 2014 on 15 August 2014;
- ii) a third interim single tier dividend of 3.5 sen per ordinary share of RM1.00 each totalling RM6,937,712 in respect of the year ended 31 July 2014 on 30 October 2014;
- iii) a final single tier dividend of 3.5 sen per ordinary share of RM1.00 each totalling RM7,095,783 in respect of the year ended 31 July 2014 on 28 January 2015;
- iv) a first interim single tier dividend of 3.0 sen per ordinary share of RM1.00 each totalling RM6,161,999 in respect of the year ended 31 July 2015 on 16 March 2015;
- v) a second interim single tier dividend of 3.0 sen per ordinary share of RM1.00 each totalling RM6,176,165 in respect of the year ended 31 July 2015 on 15 May 2015;
- vi) a third interim single tier dividend of 6.0 sen per ordinary share of RM1.00 each totalling RM13,775,500 in respect of the year ended 31 July 2015 on 28 July 2015; and
- vii) a fourth interim single tier dividend of 1.2 sen per ordinary share of RM0.20 each totalling RM13,874,758 in respect of the year ended 31 July 2015 on 30 October 2015.

The Directors recommended a final single tier dividend of 1.2 sen per ordinary share totalling RM13,880,270 in respect of the year ended 31 July 2015 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

These financial statements do not reflect the fourth interim single tier dividend and proposed final dividend, which will be accounted for in the statement of changes in equity as an appropriation of retained earnings in the year ending 31 July 2016.

DIRECTORS OF THE COMPANY

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

Directors

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

Alternate

Mr. Chong Chin Siong

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:

Name of Directors	Interest	Number of ordinary shares ('000)			At 31 July 2015
		At 1 August 2014	Bought/ ESOS/ Warrant exercised	Sold	
Company					
Ordinary shares of RM1.00 each					
Datuk Beh Kim Ling	Direct	31,606	780	(9,310)	23,076
	Deemed	27,554	9,829	(8,589)	28,794
Datin Gan Chu Cheng	Direct	26,138	530	(7,098)	19,570
	Deemed	33,023	10,079	(10,802)	32,300
Datuk Gan Sem Yam	Direct	14,279	2,240	(2,790)	13,729
	Deemed	2,563	375	(525)	2,413
Dato' Gan Tiong Sia	Direct	5,310	530	(1,500)	4,340
	Deemed	21	--	(21)	--
Mr. Ng Yong Kang	Direct	7	780	(747)	40
Mr. Pan Swee Keat	Direct	20	130	(150)	--
Mr. Tang Sim Cheow	Direct	60	70	(92)	38
Tan Sri Mohd Nadzmi bin Mohd Salleh	Direct	--	150	--	150
Mr. Chong Chin Siong	Direct	--	100	(20)	80
	Deemed	--	39	--	39

DIRECTORS' REPORT

(cont'd)

Name of Directors	Interest	Number of ordinary shares ('000)			At 31 July 2015
		At 1 August 2014	Bought	Sold	
Subsidiaries					
- V.S. Ashin Technology Sdn. Bhd. Ordinary shares of RM1.00 each					
Datuk Beh Kim Ling	Deemed	5,880	--	--	5,880
Datin Gan Chu Cheng	Direct	672	--	--	672
	Deemed	5,208	--	--	5,208
Datuk Gan Sem Yam	Direct	747	--	--	747
- VS Marketing & Engineering Pte. Ltd. Ordinary shares					
Datuk Beh Kim Ling	Deemed	1,224	--	--	1,224
Datin Gan Chu Cheng	Deemed	1,224	--	--	1,224
Datuk Gan Sem Yam	Deemed	936	--	(120)	816
Dato' Gan Tiong Sia	Deemed	240	--	(120)	120
- Serumi International Private Limited Ordinary shares					
Datuk Beh Kim Ling	Deemed	1,160	--	--	1,160
Datin Gan Chu Cheng	Deemed	1,160	--	--	1,160
Datuk Gan Sem Yam	Deemed	1,160	--	--	1,160
- V.S. International Group Limited Ordinary shares of HKD0.05 each					
Datuk Beh Kim Ling	Direct	67,962	--	--	67,962
	Deemed	870,157	3,200	(27,000)	846,357
Datin Gan Chu Cheng	Direct	70,069	3,200	(49,000)	24,269
	Deemed	868,050	22,000	--	890,050
Datuk Gan Sem Yam	Direct	35,737	--	--	35,737
Dato' Gan Tiong Sia	Direct	36,215	1,500	(20,500)	17,215
Mr. Tang Sim Cheow	Direct	639	--	--	639
- V.S. Corporation (Hong Kong) Co., Limited Non-voting deferred share of HKD1.00 each					
Datuk Beh Kim Ling	Direct	3,750	--	--	3,750
	Deemed	3,750	--	--	3,750
Datin Gan Chu Cheng	Direct	3,750	--	--	3,750
	Deemed	3,750	--	--	3,750
Datuk Gan Sem Yam	Direct	3,750	--	--	3,750
Dato' Gan Tiong Sia	Direct	3,750	--	--	3,750

DIRECTORS' REPORT

(cont'd)

Name of Directors	Interest	Number of ordinary shares			At 31 July 2015
		At 1 August 2014	Bought	Sold	
- V.S. Investment Holdings Limited					
Ordinary shares of HKD1.00 each					
Datuk Beh Kim Ling	Direct	5	--	--	5
	Deemed	5	--	--	5
Datin Gan Chu Cheng	Direct	5	--	--	5
	Deemed	5	--	--	5
Datuk Gan Sem Yam	Direct	5	--	--	5

Name of Directors	Number of options ('000) over ordinary shares of HKD0.05 each			At 31 July 2015
	At 1 August 2014	Exercised	At 31 July 2015	
- V.S. International Group Limited				
Datuk Beh Kim Ling		9,600	--	9,600
Datin Gan Chu Cheng		9,600	(3,200)	6,400
Datuk Gan Sem Yam		9,600	--	9,600
Dato' Gan Tiong Sia		4,500	(1,500)	3,000
Mr. Tang Sim Cheow		1,200	--	1,200

Name of Directors	Date of offer	Options price (RM)	Number of options ('000) over ordinary shares of RM1.00 each			At 31 July 2015
			At 1 August 2014	Granted	Exercised	
Company						
Datuk Beh Kim Ling	19.11.2010	1.54	560	--	(560)	--
Datin Gan Chu Cheng	19.11.2010	1.54	140	--	(140)	--
Datuk Gan Sem Yam	19.11.2010	1.54	560	--	(560)	--
Dato' Gan Tiong Sia	19.11.2010	1.54	140	--	(140)	--
Mr. Ng Yong Kang	19.11.2010	1.54	560	--	(560)	--
Tan Sri Mohd Nadzmi bin Mohd Salleh	19.11.2010	1.54	100	--	(100)	--
Mr. Pan Swee Keat	19.11.2010	1.54	80	--	(80)	--
Mr. Tang Sim Cheow	19.11.2010	1.54	20	--	(20)	--
Datuk Beh Kim Ling	23.7.2014	1.68	220	--	(220)	--
Datin Gan Chu Cheng	23.7.2014	1.68	220	--	(220)	--
Datuk Gan Sem Yam	23.7.2014	1.68	220	--	(220)	--
Dato' Gan Tiong Sia	23.7.2014	1.68	220	--	(220)	--
Mr. Ng Yong Kang	23.7.2014	1.68	220	--	(220)	--
Mr. Chong Chin Siong	23.7.2014	1.68	100	--	(100)	--
Tan Sri Mohd Nadzmi bin Mohd Salleh	23.7.2014	1.68	50	--	(50)	--
Mr. Pan Swee Keat	23.7.2014	1.68	50	--	(50)	--
Mr. Tang Sim Cheow	23.7.2014	1.68	50	--	(50)	--

DIRECTORS' REPORT

(cont'd)

Name of Directors	Date of offer	Options price (RM)	Number of options ('000) over ordinary shares of RM1.00 each			At 31 July 2015
			At 1 August 2014	Granted	Exercised	
Datuk Beh Kim Ling	12.5.2015	3.51	--	850	--	850
Datin Gan Chu Cheng	12.5.2015	3.51	--	850	--	850
Datuk Gan Sem Yam	12.5.2015	3.51	--	850	--	850
Dato' Gan Tiong Sia	12.5.2015	3.51	--	850	--	850
Mr. Ng Yong Kang	12.5.2015	3.51	--	850	--	850
Mr. Chong Chin Siong	12.5.2015	3.51	--	850	--	850
Tan Sri Mohd Nadzmi bin Mohd Salleh	12.5.2015	3.51	--	100	--	100
Mr. Pan Swee Keat	12.5.2015	3.51	--	100	--	100
Mr. Tang Sim Cheow	12.5.2015	3.51	--	100	--	100

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except as disclosed in Note 29 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:

- 20,580,000 new ordinary shares of RM1.00 each at RM3.83 per ordinary share via a private placement to eligible investors for a total cash consideration of RM78.82 million for working capital purposes;
- 22,496,600 new ordinary shares of RM1.00 each for cash arising from the exercise of employees' share options at a weighted average exercise price of RM1.75 per ordinary share; and
- 1,416,500 new ordinary shares of RM1.00 each at the exercise price of RM3.51 per ordinary share under the shares held-in-trust as disclosed in Note 13 to the financial statements.

At the Annual General Meeting held on 5 January 2015, the shareholders of the Company renewed their approval for the Company to repurchase its own shares. During the financial year, the Company repurchased from the open market a total of 20,000 of its issued ordinary shares. The average repurchase price was RM2.32. The repurchase transactions were financed by internally generated funds and the repurchased shares are being held as treasury shares and carried at cost.

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year 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 and at the same date, the existing ESOS was terminated.

The salient features of the ESOS which commenced on 12 May 2015 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 Malaysia Securities Berhad ("Bursa Securities") for the five (5) market days immediately preceding the date of the offer with a discount of not more than ten per centum (10%) or the par value of the ordinary shares, whichever is higher.
- e) The option is personal to the grantee and is non-assignable.
- f) The options granted may be exercised at any time within the period of five (5) years commencing from 12 May 2015, subject to a further extension of five (5) years as the Board may determine.
- g) The option are exercisable to a maximum percentage of 20% of the number of options granted in each calendar year.
- h) The options shall be exercised in multiple of and not less than one hundred (100) options.
- i) Option exercisable in a particular year but not exercised can be carried forward to the subsequent years subject to the time limit of the Scheme.

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

Date of offer	Exercise price	Number of options over ordinary shares of RM1.00 each ('000)				At 31 July 2015
		At 1 August 2014	Grant	Exercised	Forfeited	
19 November 2010	RM1.54	12,846	--	(12,726)	(120)	--
23 July 2014	RM1.68	7,993	--	(7,941)	(52)	--
12 May 2015	RM3.51	--	30,800	(1,830)	(85)	28,885

DIRECTORS' REPORT

(cont'd)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of persons to whom options have been granted during the financial year and details of their holdings as required by Section 169(11) of the Companies Act, 1965 except for information on Directors and employees who were granted options of 300,000 and above.

The names of option holders and the number of options granted in aggregate of 300,000 options and above are as follows:

Name of option holders	Number of options ('000)
Datuk Beh Kim Ling	850
Datin Gan Chu Cheng	850
Datuk Gan Sem Yam	850
Dato' Gan Tiong Sia	850
Mr. Ng Yong Kang	850
Mr. Chong Chin Siong	850
En. Mohamad bin Yusof	300
Mr. Swee Ee Soon	300
Mr. Gan Pee Ke'ng	300
Mr. Lee Yoon Sang	300
Mr. Chong Min Wah	300
Mr. Ng Chee Siong	300
Mr. Koh Chee Wai	300

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

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:

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

- 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
- that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- 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
- not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 July 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

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

Datuk Gan Sem Yam**Dato' Gan Tiong Sia**

Johor Bahru

5 November 2015

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 55 to 125 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 July 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 31 on page 126 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Datuk Gan Sem Yam

Dato' Gan Tiong Sia

Johor Bahru
5 November 2015

STATUTORY DECLARATION

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

I, **Datin Gan Chu Cheng**, the Director primarily responsible for the financial management of V. S. INDUSTRY BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 55 to 126 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Johor Bahru in the State of Johor on 5 November 2015.

Datin Gan Chu Cheng

Before me:

Norani bt. Hj Khalid (No.: J-140)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of V. S. Industry Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of V. S. Industry Berhad, which comprise the statements of financial position as at 31 July 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 55 to 125.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 July 2015 and of their financial performance and 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, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

to the members of V. S. Industry Berhad
(cont'd)

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 31 on page 126 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Tan Teck Eng

Approval Number: 2986/05/16 (J)
Chartered Accountant

Johor Bahru

5 November 2015

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Property, plant and equipment	3	664,349	600,811	95,429	102,679
Prepaid lease payments	4	99,610	85,321	--	--
Investment properties	5	4,700	3,600	--	--
Intangible assets	6	2,333	2,150	--	--
Investments in subsidiaries	7	--	--	215,828	199,889
Investments in associates	8	8,101	8,187	--	--
Prepayments	9	45,089	--	--	--
Deferred tax assets	10	12,144	8,966	--	--
Total non-current assets		836,326	709,035	311,257	302,568
Inventories	11	272,755	269,794	24,411	26,551
Trade and other receivables	9	500,681	447,550	53,594	70,204
Dividend receivable		--	--	--	14,000
Tax recoverable		2,174	1,846	1,986	1,314
Cash and cash equivalents	12	243,742	123,464	78,452	7,081
Total current assets		1,019,352	842,654	158,443	119,150
Total assets		1,855,678	1,551,689	469,700	421,718
Equity					
Share capital	13	230,848	186,355	230,848	186,355
Reserves	13	546,186	339,805	150,268	105,534
Total equity attributable to owners of the Company		777,034	526,160	381,116	291,889
Non-controlling interests	7	202,591	114,829	--	--
Total equity		979,625	640,989	381,116	291,889
Liabilities					
Long term payables	14	4,322	4,322	--	--
Loans and borrowings	15	123,015	140,026	9,195	12,753
Deferred tax liabilities	10	50,783	45,317	8,844	9,575
Total non-current liabilities		178,120	189,665	18,039	22,328
Liabilities					
Trade and other payables	16	396,190	437,029	43,593	75,705
Dividends payable		--	4,628	--	4,628
Loans and borrowings	15	289,193	269,765	26,952	27,168
Taxation		12,550	9,613	--	--
Total current liabilities		697,933	721,035	70,545	107,501
Total liabilities		876,053	910,700	88,584	129,829
Total equity and liabilities		1,855,678	1,551,689	469,700	421,718

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 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue					
Goods sold		1,936,885	1,715,082	238,965	338,729
Cost of goods sold		(1,649,703)	(1,517,221)	(213,447)	(307,853)
Gross profit		287,182	197,861	25,518	30,876
Other income		49,065	3,366	11,169	24,409
Distribution expenses		(43,717)	(39,439)	(5,289)	(6,354)
Administrative expenses		(111,877)	(97,277)	(26,926)	(34,779)
Other expenses		(4,516)	(6,548)	(7)	(2,042)
Results from operating activities		176,137	57,963	4,465	12,110
Finance income		1,161	799	272	66
Finance costs	17	(16,043)	(16,080)	(1,698)	(2,510)
Net finance costs		(14,882)	(15,281)	(1,426)	(2,444)
Operating profit	18	161,255	42,682	3,039	9,666
Share of loss of equity accounted associate, net of tax		(1,569)	(689)	--	--
Profit before tax		159,686	41,993	3,039	9,666
Tax (expense)/income	19	(34,221)	4,677	660	3,021
Profit for the year		125,465	46,670	3,699	12,687
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations/					
Other comprehensive income/(expense) for the year		51,088	(6,845)	--	--
Total comprehensive income for the year		176,553	39,825	3,699	12,687
Profit attributable to:					
Owners of the Company		132,739	53,633	3,699	12,687
Non-controlling interests		(7,274)	(6,963)	--	--
Profit for the year		125,465	46,670	3,699	12,687
Total comprehensive income attributable to:					
Owners of the Company		159,708	49,699	3,699	12,687
Non-controlling interests		16,845	(9,874)	--	--
Total comprehensive income for the year		176,553	39,825	3,699	12,687
Basic earnings per ordinary share (sen) - restated	20	12.88	5.91		
Diluted earnings per ordinary share (sen) - restated	20	12.35	--		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2015

Note	Attributable to owners of the Company										Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share-based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000		Non-controlling interests RM'000
Group												
At 1 August 2013	182,327	2,381	--	60,016	4,105	142	5,880	(1,522)	226,317	479,646	117,224	596,870
Foreign currency translation differences for foreign operation/												
Total other comprehensive expense for the year	--	--	--	--	(3,934)	--	--	--	53,633	(3,934)	(2,911)	(6,845)
Profit for the year	--	--	--	--	--	--	--	--	53,633	53,633	(6,963)	46,670
Total comprehensive (expense)/ income for the year	--	--	--	--	(3,934)	--	--	--	53,633	49,699	(9,874)	39,825

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2015
(cont'd)

Note	Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Attributable to owners of the Company				Total equity RM'000			
				Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share-based reserve RM'000		Treasury shares RM'000	Retained earnings RM'000	Non-controlling interests RM'000
				Non-distributable	Distributable						
<i>Contributions by and distributions to owners of the Company</i>											
Shares buy back Equity settled	--	--	--	--	--	(14)	--	(14)	--	(14)	
- Share based transaction	--	--	--	--	--	--	--	--	--	--	
- Share option granted	--	--	--	--	--	--	4,202	--	4,202	1,232	5,434
- Share option exercised	--	1,631	--	--	--	(1,631)	--	--	--	--	--
- Shares issued	4,028	2,175	--	--	--	--	--	--	6,203	--	6,203
Dividends to owners of the Company	--	--	--	--	--	--	--	(14,050)	(14,050)	--	(14,050)
Increase in share capital in subsidiaries	4,028	3,806	--	--	--	2,571	2,571	(14)	(14,050)	1,232	(2,427)
Total transactions with owners of the Group	4,028	3,806	--	--	--	--	2,571	(14)	(13,576)	7,479	4,294
Realisation of revaluation reserve	--	--	--	(1,343)	--	--	--	--	1,343	--	--
Disposal of property	--	--	--	--	--	--	--	--	--	--	--
- Reversal of revaluation net of tax	--	--	--	(146)	--	--	--	--	146	--	--
At 31 July 2014	186,355	6,187	--	58,527	171	142	8,451	(1,536)	267,863	114,829	640,989

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2015
(cont'd)

Note	Attributable to owners of the Company												
	Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000	
	Non-distributable				Distributable								
Group													
At 1 August 2014	186,355	6,187	--	58,527	171	142	8,451	(1,536)	267,863	526,160	114,829	640,989	
Foreign currency translation differences for foreign operation/													
Total other comprehensive income for the year	--	--	--	--	26,969	--	--	--	--	26,969	24,119	51,088	
Profit for the year	--	--	--	--	--	--	--	--	132,739	132,739	(7,274)	125,465	
Total comprehensive income for the year	--	--	--	--	26,969	--	--	--	132,739	159,708	16,845	176,553	
<i>Contributions by and distributions to owners of the Company</i>													
Shares buy back	--	--	--	--	--	--	--	(46)	--	(46)	--	(46)	
Equity settled													
share based transaction													
- Share option granted	--	--	--	--	--	--	8,019	--	--	8,019	517	8,536	
- Share option exercised	--	9,135	--	--	--	--	(9,135)	--	--	--	--	--	
- Share option lapsed	--	--	--	--	--	--	(153)	--	153	--	--	--	
- Shares issued pursuant to ESOS	22,497	16,863	--	--	--	--	--	--	--	39,360	--	39,360	
- Shares issued pursuant to ESOS Trust													
Funding ("ETF")	1,416	3,556	(4,972)	--	--	--	--	--	--	--	--	--	
Private placement	20,580	58,241	--	--	--	--	--	--	--	78,821	--	78,821	
Dividends to owners of the Company	--	--	--	--	--	--	--	--	(40,148)	(40,148)	--	(40,148)	
	44,493	87,795	(4,972)	--	--	--	(1,269)	(46)	(39,995)	86,006	517	86,523	

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2015
(cont'd)

Note	Attributable to owners of the Company											Total equity RM'000	
	Shares held					Distributable					Non-controlling interests RM'000		
	Share capital RM'000	Share premium RM'000	Share under trust RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000			
Acquisition of non-controlling interest	--	--	--	181	--	--	11	--	--	(111)	81	(1,197)	(1,116)
Increase in share capital in subsidiaries	--	--	--	--	--	--	--	--	5,079	5,079	5,079	71,597	76,676
	--	--	--	181	--	--	11	--	4,968	4,968	5,160	70,400	75,560
Total transactions with owners of the Group	44,493	87,795	(4,972)	181	--	--	(1,258)	(46)	(35,027)	91,166	70,917	162,083	
Transferred from retained earnings	--	--	--	--	--	10,009	--	--	(10,009)	--	--	--	--
Realisation of revaluation reserve	--	--	--	(1,945)	--	--	--	--	1,945	--	--	--	--
At 31 July 2015	230,848	93,982	(4,972)	56,763	27,140	10,151	7,193	(1,582)	357,511	777,034	202,591	979,625	

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2015

Note	Attributable to owners of the Company							Total equity RM'000
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Employee Share-based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Distributable	
Company								
At 1 August 2013	182,327	2,381	25,559	6,127	(1,522)	69,405	284,277	
Profit for the year/ Total comprehensive income for the year	--	--	--	--	--	12,687	12,687	
<i>Contributions by and distributions to owners of the Company</i>								
Shares buy back	--	--	--	--	(14)	--	(14)	
Equity settled share-based transaction	--	--	--	2,786	--	--	2,786	
- Share option granted	--	1,631	--	(1,631)	--	--	--	
- Share option exercised	4,028	2,175	--	--	--	--	6,203	
- Shares issued	--	--	--	--	--	(14,050)	(14,050)	
Dividends to owners of the Company	--	--	--	--	--	--	--	
Total transactions with owners of the Company	4,028	3,806	--	1,155	(14)	(14,050)	(5,075)	
Realisation of revaluation reserve	--	--	(508)	--	--	508	--	
Disposal of property	--	--	--	--	--	--	--	
- Reversal of revaluation net of tax	--	--	(146)	--	--	146	--	
At 31 July 2014	186,355	6,187	24,905	7,282	(1,536)	68,696	291,889	

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2015
(cont'd)

Note	Attributable to owners of the Company						Total equity RM'000
	Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Revaluation reserve RM'000	Employee Share-based reserve RM'000	Treasury shares RM'000	
	Non-distributable			Distributable			
Company							
At 1 August 2014	186,355	6,187	--	24,905	7,282	(1,536)	291,889
Profit for the year/ Total comprehensive income for the year	--	--	--	--	--	--	3,699
<i>Contributions by and distributions to owners of the Company</i>							
Shares buy back Equity settled share-based transaction	--	--	--	--	--	(46)	(46)
- Share option granted	--	--	--	--	7,541	--	7,541
- Share option exercised	--	9,135	--	--	(9,135)	--	--
- Share option lapsed	--	--	--	--	(153)	--	153
- Shares issued pursuant to ESOS	22,497	16,863	--	--	--	--	39,360
- Shares issued pursuant to ESOS Trust Funding ("ETF")	1,416	3,556	(4,972)	--	--	--	--
Private placement	20,580	58,241	--	--	--	--	78,821
Dividends to owners of the Company	--	--	--	--	--	--	(40,148)
Total transactions with owners of the Company	44,493	87,795	(4,972)	--	(1,747)	(46)	85,528
Realisation of revaluation reserve	--	--	--	(492)	--	--	492
Disposal of property	--	--	--	--	--	--	--
- Reversal of revaluation net of tax	--	--	--	(1,074)	--	--	1,074
At 31 July 2015	230,848	93,982	(4,972)	23,339	5,535	(1,582)	381,116

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

STATEMENTS OF CASH FLOWS

For the year ended 31 July 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities					
Profit before tax		159,686	41,993	3,039	9,666
Adjustments for:-					
Amortisation of prepaid lease payments		2,276	2,098	--	--
Depreciation	3	60,805	59,487	9,142	9,262
Equity settled share-based transactions		8,536	5,434	3,056	1,376
Interest expense	17	14,186	14,459	1,649	2,474
Impairment loss on:					
- receivables		2,035	401	6	--
- investments in subsidiaries		--	--	--	1,703
- property, plant and equipment		972	--	--	--
Share of loss in associates		1,569	689	--	--
Changes in fair value of investment properties		(219)	--	--	--
Finance income		(1,161)	(799)	(272)	(66)
Property, plant and equipment:					
- Written off		1,062	49	1	3
- Loss/(Gain) on disposal		1,714	1,025	(362)	(236)
Unrealised (gain)/loss on foreign exchange		(8,151)	719	(153)	(86)
Operating profit before changes in working capital		243,310	125,555	16,106	24,096
Changes in inventories		(2,961)	(92,034)	2,140	2,611
Changes in trade and other receivables		(55,349)	(39,576)	38,277	87,902
Changes in trade and other payables		(100,385)	66,977	(32,631)	(64,937)
Cash generated from operations		84,615	60,922	23,892	49,672
Interest received		1,161	799	272	66
Tax paid		(29,324)	(15,353)	(743)	(755)
Net cash from operating activities		56,452	46,368	23,421	48,983

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

STATEMENTS OF CASH FLOWS

For the year ended 31 July 2015
(cont'd)

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	22	(64,302)	(55,704)	(8,276)	(3,748)
Additional investments in subsidiaries		--	--	(11,454)	(12,075)
Proceeds from disposal of property, plant and equipment		2,616	3,955	514	2,351
Change in pledged deposits		(2,259)	732	--	--
Prepayments		(45,089)	--	--	--
Net cash used in investing activities		(109,034)	(51,017)	(19,216)	(13,472)
Cash flows from financing activities					
Proceeds from long term borrowings		--	21,978	--	--
Repayment of long term borrowings		(11,983)	(33,007)	(5,667)	(5,433)
Payments of finance lease liabilities		(2,145)	(479)	(212)	(43)
Net drawdown from short term borrowings		7,879	62,434	1,335	(27,541)
Interest paid		(14,199)	(15,081)	(1,649)	(2,474)
Repurchase of treasury shares		(46)	(14)	(46)	(14)
Funds from non-controlling interests		76,676	6,721	--	--
Acquisition of non-controlling interest		(1,116)	--	--	--
Proceeds from issuance of shares		118,181	6,203	118,181	6,203
Dividend paid to owners of the Company		(44,776)	(9,422)	(44,776)	(9,422)
Net cash from/(used in) financing activities		128,471	39,333	67,166	(38,724)
Exchange differences on translation of the financial statements of foreign operations		26,969	(3,934)	--	--
Net increase/(decrease) in cash and cash equivalents		102,858	30,750	71,371	(3,213)
Cash and cash equivalents at 1 August 2014/2013		107,643	77,843	7,081	10,294
Foreign exchange differences on opening balance		13,652	(950)	--	--
Cash and cash equivalents at 31 July		224,153	107,643	78,452	7,081

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

Cash and bank balances	144,387	98,217	6,273	6,907
Deposits with licensed banks	88,412	16,563	72,179	174
Bank overdrafts	(8,646)	(7,137)	--	--
	224,153	107,643	78,452	7,081

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

NOTES TO THE FINANCIAL STATEMENTS

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

Principal place of business

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

Registered office

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

The consolidated financial statements of the Company as at and for the financial year ended 31 July 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 31 July 2015 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 5 November 2015.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- 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*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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 2016 (cont'd)

- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

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

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

(i) MFRS 15, Revenue from Contracts with Customers

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

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

(ii) MFRS 9, Financial Instruments

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

1. BASIS OF PREPARATION (CONT'D)**(d) Use of estimates and judgements (cont'd)**

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

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

- Note 2(k)(i) - assessment for impairment of investment in subsidiaries
- Note 2(m) - recognition of deferred tax assets
- Note 2(p)(iii) - valuation of share based payment transactions

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation**(i) Subsidiaries**

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

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

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

(ii) Business combinations

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(ii) Business combinations (cont'd)

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

(v) Associates

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(a) Basis of consolidation (cont'd)****(v) Associates (cont'd)**

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of the investment includes transaction costs.

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

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

(b) Foreign currency**(i) Foreign currency transactions**

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (cont'd)

(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 or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(c) Financial instruments (cont'd)****(ii) Financial instrument categories and subsequent measurement (cont'd)*****Financial assets (cont'd)*****(b) *Held-to-maturity investments***

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

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

(c) *Loans and receivables*

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

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

(d) *Available-for-sale financial assets*

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

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

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

Financial liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(iii) Financial guarantee contracts

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

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(d) Property, plant and equipment (cont'd)****(i) Recognition and measurement (cont'd)**

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Property, plant and equipment under the revaluation model

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation (cont'd)

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

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

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

(e) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(f) Intangible assets (cont'd)****(i) Goodwill**

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

(ii) Intangible assets

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

(iii) Amortisation

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

(g) Investment properties**(i) Investment properties carried at fair value**

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

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

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

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

(ii) Reclassification to/from investment property

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Inventories

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

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

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

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

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

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

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

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

(j) 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.

(k) Impairment

(i) Financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(k) Impairment (cont'd)****(i) Financial assets (cont'd)**

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

(ii) Other assets

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Repurchase of share capital

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

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

(iii) Shares held under trust

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

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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 assets and liabilities, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(m) Income tax (cont'd)**

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.

(n) Revenue and other income**(i) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Interest income

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

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iv) Rental income

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

(o) Borrowing costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Borrowing costs (cont'd)

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

(p) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Share-based payment transactions

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

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

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

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

(q) Provision

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(r) Contingencies****Contingent liabilities**

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

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

(u) Fair value measurement

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Capital work -in -progress RM'000	Total RM'000
Group						
At cost/valuation						
At 1 August 2013	395,351	651,453	59,503	19,429	21,076	1,146,812
Additions	1,233	37,634	5,318	1,361	12,036	57,582
Disposals	(500)	(14,125)	(1,316)	(1,706)	--	(17,647)
Written off	--	(967)	(269)	--	--	(1,236)
Transfers	30,137	1,145	590	375	(32,247)	--
Exchange differences	(4,677)	(9,701)	(927)	(271)	(602)	(16,178)
At 31 July 2014/1 August 2014	421,544	665,439	62,899	19,188	263	1,169,333
Additions	2,160	58,088	5,245	4,228	540	70,261
Disposals	(341)	(16,342)	(3,678)	(3,738)	--	(24,099)
Written off	--	(1,718)	(828)	--	--	(2,546)
Transfers	314	--	--	--	(314)	--
Transfer to investment properties	(900)	--	--	--	--	(900)
Exchange differences	44,739	80,878	7,180	2,245	94	135,136
At 31 July 2015	467,516	786,345	70,818	21,923	583	1,347,185
Representing items at:						
Cost	276,107	786,345	70,818	21,923	583	1,155,776
Directors' valuation - 2013	191,409	--	--	--	--	191,409
	467,516	786,345	70,818	21,923	583	1,347,185
Accumulated depreciation						
At 1 August 2013	43,037	432,893	41,496	14,220	--	531,646
Depreciation charge	9,745	43,725	4,087	1,930	--	59,487
Disposals	(6)	(10,421)	(831)	(1,409)	--	(12,667)
Written off	--	(933)	(254)	--	--	(1,187)
Exchange differences	(1,101)	(6,770)	(656)	(230)	--	(8,757)
At 31 July 2014/1 August 2014	51,675	458,494	43,842	14,511	--	568,522
Depreciation charge	11,063	42,835	4,827	2,080	--	60,805
Disposals	(323)	(12,760)	(3,355)	(3,331)	--	(19,769)
Written off	--	(660)	(824)	--	--	(1,484)
Transfer to investment properties	(19)	--	--	--	--	(19)
Exchange differences	9,601	57,409	5,030	1,769	--	73,809
At 31 July 2015	71,997	545,318	49,520	15,029	--	681,864
Accumulated impairment loss						
Impairment loss/ At 31 July 2015	--	972	--	--	--	972
Carrying amounts						
At 1 August 2013	352,314	218,560	18,007	5,209	21,076	615,166
At 31 July 2014/ 1 August 2014	369,869	206,945	19,057	4,677	263	600,811
At 31 July 2015	395,519	240,055	21,298	6,894	583	664,349

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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	Total RM'000
Company					
At cost/valuation					
At 1 August 2013	76,481	70,430	9,893	5,918	162,722
Additions	--	4,976	525	159	5,660
Disposals	(500)	(5,047)	--	(431)	(5,978)
Written off	--	--	(165)	--	(165)
Transfer to subsidiaries	--	(1,126)	(113)	--	(1,239)
At 31 July 2014/1 August 2014	75,981	69,233	10,140	5,646	161,000
Additions	--	5,947	1,127	1,875	8,949
Disposals	--	(82)	--	(1,104)	(1,186)
Written off	--	--	(631)	--	(631)
Transfer to subsidiaries	(6,780)	(491)	(44)	--	(7,315)
At 31 July 2015	69,201	74,607	10,592	6,417	160,817
Representing items at:					
Cost	--	74,607	10,592	6,417	91,616
Directors' valuation - 2013	69,201	--	--	--	69,201
	69,201	74,607	10,592	6,417	160,817
Accumulated depreciation					
At 1 August 2013	--	43,145	7,558	3,297	54,000
Depreciation charge	1,453	6,190	787	832	9,262
Disposals	(6)	(3,501)	--	(356)	(3,863)
Written off	--	--	(162)	--	(162)
Transfer to subsidiaries	--	(824)	(92)	--	(916)
At 31 July 2014/1 August 2014	1,447	45,010	8,091	3,773	58,321
Depreciation charge	1,367	6,039	852	884	9,142
Disposals	--	(82)	--	(952)	(1,034)
Written off	--	--	(630)	--	(630)
Transfer to subsidiaries	(248)	(123)	(40)	--	(411)
At 31 July 2015	2,566	50,844	8,273	3,705	65,388
Carrying amounts					
At 1 August 2013	76,481	27,285	2,335	2,621	108,722
At 31 July 2014/1 August 2014	74,534	24,223	2,049	1,873	102,679
At 31 July 2015	66,635	23,763	2,319	2,712	95,429

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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

3.1 Carrying amounts of land and buildings

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At valuation				
Freehold land	36,701	37,231	17,900	18,430
Leasehold land:				
- Long term	1,384	1,404	--	1,404
- Short term	8,885	9,128	--	--
Buildings	135,677	139,698	48,735	54,700
At cost				
Buildings	212,872	182,408	--	--
	<u>395,519</u>	<u>369,869</u>	<u>66,635</u>	<u>74,534</u>

Land and buildings other than those acquired through business combination in 2013 are stated at Directors' valuation based on independent professional valuations carried out as at 31 July 2013.

3.2 Fair value information

Fair value of land and buildings are categorised as follows:

	Level 3	
	Group RM'000	Company RM'000
Freehold land	36,701	17,900
Leasehold land:		
- Long term	1,419	--
- Short term	9,370	--
Buildings	143,919	51,301
	<u>191,409</u>	<u>69,201</u>

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.

Valuation technique

Comparison method:

Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size and the building is determined based on depreciated replacement cost.

Significant unobservable inputs

- Historical transaction data in the past three years are used due to absence of recent transactions (Price per square foot of comparable properties).
- Estimated cost of construction of the buildings based on current market price.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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

3.2 Fair value information (cont'd)

Highest and best use

The land and buildings of the Group consist of 7 parcels of leasehold industrial land and 3 freehold industrial land erected upon with detached factory buildings/store/hostel and 1 parcel of vacant freehold land.

The land and buildings of the Company consist of 2 parcels of freehold industrial land erected upon with detached factory buildings/car park.

The highest and best use of the properties are for industrial purposes as the land and buildings are located in the industrial area that comprises detached light/medium industrial properties.

3.3 Leased plant and machinery

At 31 July 2015, the net carrying amount of leased plant and equipment of the Group and of the Company was RM7,900,597 (2014: RM132,610) and RM1,329,455 (2014: RM132,610) respectively.

3.4 Security

The leased plant and equipment secured the lease obligations (see Note 15).

Certain property, plant and equipment of subsidiaries with carrying amount of RM188,381,000 (2014: RM174,018,000) have been pledged as security for banking facilities granted to the said subsidiaries (see Note 15).

3.5 Others

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Freehold land	21,574	21,730	11,717	11,879
Leasehold land:				
- Long term	1,025	1,045	--	1,045
- Short term	5,875	6,023	--	--
Buildings	81,634	83,937	26,526	31,591
	<u>110,108</u>	<u>112,735</u>	<u>38,243</u>	<u>44,515</u>

Motor vehicles of the Group/Company with carrying amount of RM1,411,059 (2014: RM1,076,553) are held in trust by Directors. Included in Group's additions of property, plant and equipment is an interest being capitalised of RM12,586 (2014: RM621,958) at a rate of 3.90% (2014: 3.59%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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4. PREPAID LEASE PAYMENTS

	Unexpired period less than 50 years RM'000
Group	
At cost	
At 1 August 2013	89,036
Exchange differences	(1,652)
At 31 July 2014/1 August 2014	87,384
Exchange differences	17,137
At 31 July 2015	104,521
Accumulated amortisation	
At 1 August 2013	24
Amortisation charge	2,098
Exchange differences	(59)
At 31 July 2014/1 August 2014	2,063
Amortisation charge	2,276
Exchange differences	572
At 31 July 2015	4,911
Carrying amounts	
At 1 August 2013	89,012
At 31 July 2014/1 August 2014	85,321
At 31 July 2015	99,610

Prepaid lease payments of certain subsidiaries with carrying amount of RM88,810,000 (2014: RM76,299,000) have been pledged as security for banking facilities granted to the said subsidiaries (see Note 15).

5. INVESTMENT PROPERTIES

	Group	
	2015 RM'000	2014 RM'000
At 1 August 2014/2013	3,600	3,600
Transfer from property, plant and equipment	881	--
Change in fair value	219	--
At 31 July	4,700	3,600

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

Included in investment properties are:

	Group	
	2015	2014
	RM'000	RM'000
Long term leasehold land	800	800
Freehold land	630	--
Buildings	3,270	2,800
	4,700	3,600

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

	Group	
	2015	2014
	RM'000	RM'000
Rental income	12	--
Direct operating expenses		
- income generating	3	--
- non-income generating	15	15
	15	15

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	Group	
	2015	2014
	Level 3	Level 3
	RM'000	RM'000
Land	1,430	800
Buildings	3,270	2,800
	4,700	3,600

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.

Valuation technique

Comparison method:

Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size and the building is determined based on depreciated replacement cost.

Significant unobservable inputs

- Historical transaction data in the past three years are used due to absence of recent transactions (Price per square foot of comparable properties).
- Estimated cost of construction of the buildings based on current market price.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

5.1 Fair value information (cont'd)

Valuation processes applied by the Group for Level 3 fair value

The fair value of the investment properties are determined by Directors by reference to the valuation conducted in August 2015 by independent professional valuers.

Highest and best use

The investment properties comprise of a parcel of leasehold industrial land with a single-storey detached factory incorporating a mezzanine floor and a three storey shop office. The highest and best use of the properties are for industrial purpose and commercial purpose as the investment properties are located in the industrial area that comprises detached light/medium industrial properties.

6. INTANGIBLE ASSETS

	Group	
	2015 RM'000	2014 RM'000
License, royalties and other fees		
At cost		
At 1 August 2014/2013	2,150	--
Additions during the year	--	2,150
Exchange difference	183	--
At 31 July	<u>2,333</u>	<u>2,150</u>

The useful life of the license, royalties and other fees are estimated to be indefinite as the subsidiary is granted a royalty free exclusive license for the purpose of its business. The Directors believe there is no foreseeable limit to the period over which the license and royalties are expected to generate net cash flows for the Group.

Impairment testing for cash-generating units containing intangible assets

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

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 RM'000	2014 RM'000
At cost		
Quoted shares outside Malaysia	63,385	63,385
Unquoted shares	159,105	143,166
Less: Impairment loss	(6,662)	(6,662)
	<u>215,828</u>	<u>199,889</u>
Market value		
Quoted shares outside Malaysia	<u>201,301</u>	<u>108,490</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership interest and voting interest	
			2015 %	2014 %
V.S. Plus Sdn. Bhd.	Manufacturing, assembly and sale of plastic moulded components and parts, and electrical products	Malaysia	100	99.25
V.S. Ashin Technology Sdn. Bhd.	Property letting	Malaysia	74.40	74.40
V.S. Electronics Sdn. Bhd.	Manufacturing, assembling and sale of electronic and electrical products components and parts	Malaysia	100	100
V.S. Technology Sdn. Bhd.	Design and fabrication of tools and moulds	Malaysia	100	100
V.S. Integrated Management Sdn. Bhd. (formerly known as V.S. Logistics Sdn. Bhd.)	Hostel management services	Malaysia	100	100
V.S. Holdings (M) Ltd#	Investment holding	Mauritius	100	100
PT. V.S. Technology Indonesia@	Assembling and sale of electronic products and injection moulding of plastic components	Indonesia	100	100
VS Marketing & Engineering Pte. Ltd.@	Trading of electronic components	Singapore	51	51
V.S. International Group Limited@ - Listed on Hong Kong Stock Exchange	Investment holding	Cayman Islands	43.92	54.13
<i>Subsidiaries of V.S. International Group Limited @</i>				
V.S. International Industry Limited	Investment holding	British Virgin Islands	43.92	54.13
V.S. Investment Holdings Limited	Dormant	British Virgin Islands	43.92	54.13

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal activities	Country of incorporation	Effective ownership interest and voting interest	
			2015 %	2014 %
<i>Subsidiaries of V.S. International Group Limited @ (cont'd)</i>				
V.S. Corporation (Hong Kong) Co., Limited	Trading of electronic products, parts and components and investment holding	Hong Kong	43.92	54.13
V.S. Technology Industry Park (Zhuhai) Co., Ltd.	Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components	People's Republic of China	43.92	54.13
Haivs Industry (Qingdao) Co., Ltd.	Dormant	People's Republic of China	43.92	54.13
Qingdao GS Electronics Plastic Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	43.92	54.13
Qingdao GP Electronic Plastics Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	43.92	54.13
Qingdao GP Precision Mold Co., Ltd.	Dormant	People's Republic of China	43.92	54.13
VSA Holding Hong Kong Co., Limited	Investment holding	Hong Kong	43.92	54.13
VSA Electronics Technology (Zhuhai) Co., Ltd.	Assembling and selling of electronic products, parts and components	People's Republic of China	43.92	54.13
V.S. Industry (Zhuhai) Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People's Republic of China	43.92	54.13
V.S. Holding Vietnam Limited	Investment holding	British Virgin Islands	43.92	54.13
V.S. Industry Holding Limited	Investment holding	Hong Kong	43.92	54.13

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal activities	Country of incorporation	Effective ownership interest and voting interest	
			2015 %	2014 %
<i>Subsidiaries of V.S. International Group Limited @ (cont'd)</i>				
V.S. ECO-TECH (Zhuhai) Co., Ltd. (formerly known as V.S. Electronics (Zhuhai) Co., Ltd.)	Dormant	People's Republic of China	43.92	54.13
V.S. Industrial Product Design (Zhuhai) Co., Ltd.	Products design and trading of electronic products, parts and components	People's Republic of China	43.92	54.13
Energy Ally Global Limited	Investment holding	British Virgin Islands	43.92	--

Subsidiary of VS Marketing & Engineering Pte. Ltd.@

Serumi International Private Limited	Design and sale of healthcare products	Singapore	29.58	29.58
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Audited by a member firm of KPMG International

@ Audited by other firms of accountants

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

7.1 Non-controlling interest in subsidiaries

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

	V. S. International Group Limited	2015 Other individually immaterial subsidiaries	Total
NCI percentage of ownership interest and voting interest	56.08%		
	RM'000	RM'000	RM'000
Carrying amount of NCI	199,896	2,695	202,591
(Loss)/Profit allocated to NCI	(7,758)	484	(7,274)

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

7.1 Non-controlling interest in subsidiaries (cont'd)

	V. S. International Group Limited	2014 Other individually immaterial subsidiaries	Total
NCI percentage of ownership interest and voting interest	45.87%		
	RM'000	RM'000	RM'000
Carrying amount of NCI	111,519	3,310	114,829
Loss allocated to NCI	(5,968)	(995)	(6,963)

	Group	
	2015 RM'000	2014 RM'000
V. S. International Group Limited		
Summarised financial information before intra-group elimination		
As at 31 July		
Non-current assets	446,511	349,638
Current assets	253,296	260,961
Non-current liabilities	(103,544)	(107,949)
Current liabilities	(244,623)	(259,460)
Net assets	351,640	243,190
Year ended 31 July		
Revenue	532,210	573,626
Loss for the year	(14,297)	(12,990)
Total comprehensive expense	(14,391)	(14,996)
Cash flows from operating activities	43,236	9,260
Cash flows used in investing activities	(54,173)	(11,066)
Cash flows from financing activities	6,831	6,224
Net (decrease)/increase in cash and cash equivalents	(4,106)	4,418
Dividends paid to NCI	--	--

8. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At cost				
Unquoted shares outside Malaysia	24,966	24,966	16,623	16,623
Share of post-acquisition reserves	(5,214)	(5,128)	--	--
	19,752	19,838	16,623	16,623
Less: Impairment loss	(11,651)	(11,651)	(16,623)	(16,623)
	8,101	8,187	--	--

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

8. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of associates are as follows:

Name of entity	Principal place of business and country of incorporation	Nature of relationship	Effective ownership interest and voting interest	
			2015 %	2014 %
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	23.93	23.93

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:

	Group	
	2015 RM'000	2014 RM'000
VS Industry Vietnam Joint Stock Company		
Summarised financial information		
As at 31 July		
Non-current assets	92,603	89,048
Current assets	91,687	74,795
Non-current liabilities	(7,492)	(6,734)
Current liabilities	(142,534)	(122,554)
Net assets	34,264	34,555
Year ended 31 July		
Loss from continuing operations/Total comprehensive income	(6,558)	(2,827)
Included in the total comprehensive income is:		
Revenue	191,884	193,139
Reconciliation of net assets to carrying amount		
As at 31 July		
Group's share of net assets	6,618	8,332
Exchange differences	1,483	(145)
Carrying amount in statement of financial position	8,101	8,187
Group's shares of results		
Year ended 31 July		
Group's share of loss and total comprehensive expense	(1,569)	(689)

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current				
Prepayments	45,089	--	--	--
Current				
Trade receivables	465,089	419,398	21,233	28,580
Other receivables, deposits and prepayments	25,345	25,539	4,710	2,933
Due from subsidiaries				
- non-trade	--	--	5,284	12,850
- loan	--	--	4,121	3,296
- trade	--	--	18,246	22,545
Due from associates - trade	10,247	2,613	--	--
	500,681	447,550	53,594	70,204
	545,770	447,550	53,594	70,204

The non-current prepayments mainly represented the prepayments made to third parties in relation to two conditional acquisitions of solar power plant projects in Inner Mongolia and Zhuhai, People's Republic of China.

On 5 February 2015, the Group entered into an agreement for the acquisition of a 20% interest in a company involved in solar energy project in Inner Mongolia for a consideration of RMB44.0 million (approximately RM27.1 million) and as at 31 July 2015, a prepayment of RMB34.0 million (approximately RM20.9 million) had been paid. 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 and subject to the fulfillment of certain conditions set out therein by 31 October 2015.

As at the date of the report, the conditions were not fulfilled and both parties have mutually agreed to rescind the agreement and the prepayment are to be refunded.

On 16 April 2015, the Group entered into an agreement for the acquisition of the entire equity interest in a company involved in solar energy project in Zhuhai for a consideration of RMB20 million (approximately RM12.3 million) and upon completion, the Group would be required to inject additional capital of RMB40.0 million (approximately RMB24.6 million) to the said company. As at 31 July 2015, a prepayment of RMB33.0 million (approximately RM20.3 million) had been paid. The prepayment is refundable if the conditions are not fulfilled by the agreed timeframe.

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Property, plant and equipment						
- capital allowances	--	--	(18,110)	(18,769)	(18,110)	(18,769)
- revaluation	--	--	(18,095)	(14,097)	(18,095)	(14,097)
- fair value adjustments	--	--	(26,415)	(26,415)	(26,415)	(26,415)
Deductible temporary differences	5,811	3,108	--	--	5,811	3,108
Unutilised enhanced export incentive	18,000	18,000	--	--	18,000	18,000
Others	170	1,822	--	--	170	1,822
Tax assets/(liabilities)	23,981	22,930	(62,620)	(59,281)	(38,639)	(36,351)
Set off of tax	(11,837)	(13,964)	11,837	13,964	--	--
Net tax assets/(liabilities)	12,144	8,966	(50,783)	(45,317)	(38,639)	(36,351)

	Company	
	2015 RM'000	2014 RM'000
Property, plant and equipment		
- capital allowance	(4,528)	(6,197)
- revaluation	(5,332)	(5,651)
Deductible temporary differences	846	451
Unabsorbed capital allowances	101	1,531
Unutilised tax losses	69	291
	(8,844)	(9,575)

Movement in temporary differences during the year:

Group	At	Recognised	Exchange	At
	1.8.2014 RM'000	in profit or loss (Note 19) RM'000	differences RM'000	31.7.2015 RM'000
Property, plant and equipment				
- capital allowances	(18,769)	918	(259)	(18,110)
- revaluation	(14,097)	1,231	(5,229)	(18,095)
- fair value adjustments	(26,415)	--	--	(26,415)
Deductible temporary differences	3,108	1,484	1,219	5,811
Unutilised enhanced export incentive	18,000	--	--	18,000
Others	1,822	(1,652)	--	170
	(36,351)	1,981	(4,269)	(38,639)

NOTES TO THE FINANCIAL STATEMENTS

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

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

Group	At 1.8.2013 RM'000	Recognised in profit or loss (Note 19) RM'000	Exchange differences RM'000	At 31.7.2014 RM'000
Property, plant and equipment				
- capital allowances	(20,005)	1,214	22	(18,769)
- revaluation	(16,292)	1,718	477	(14,097)
- fair value adjustments	(26,415)	--	--	(26,415)
Deductible temporary differences	2,219	902	(13)	3,108
Unutilised enhanced export incentive	--	18,000	--	18,000
Others	915	907	--	1,822
	(59,578)	22,741	486	(36,351)

Company	At 1.8.2014 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.7.2015 RM'000
Property, plant and equipment			
- capital allowance	(6,197)	1,669	(4,528)
- revaluation	(5,651)	319	(5,332)
Deductible temporary differences	451	395	846
Unabsorbed capital allowances	1,531	(1,430)	101
Unutilised tax losses	291	(222)	69
	(9,575)	731	(8,844)

	At 1.8.2013 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.7.2014 RM'000
Property, plant and equipment			
- capital allowance	(7,221)	1,024	(6,197)
- revaluation	(6,102)	451	(5,651)
Deductible temporary differences	680	(229)	451
Unabsorbed capital allowances	--	1,531	1,531
Unutilised tax losses	--	291	291
	(12,643)	3,068	(9,575)

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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

Unrecognised deferred tax assets

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

	Group	
	2015	2014
	RM'000	RM'000
Unutilised tax losses	123,186	103,987
Unutilised investment tax allowances and enhanced export incentives	64,043	41,520
Deductible temporary differences	668	668
Taxable temporary differences	(804)	(782)
	187,093	145,393

The unutilised tax losses, unutilised investment tax allowances and enhanced export incentives and deductible temporary differences do not expire under current tax legislation other than unutilised tax losses of RM114.9 million which will expire between 2016 to 2020 in the People's Republic of China. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits there from.

11. INVENTORIES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Raw materials	155,762	154,308	12,351	18,731
Work-in-progress	40,167	38,547	6,470	3,553
Finished goods	76,639	76,718	5,403	4,119
Packing materials	187	221	187	148
	272,755	269,794	24,411	26,551
Recognised in profit or loss:				
- Inventories recognised as cost of goods sold	1,649,703	1,517,221	213,447	307,853

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	99,355	25,247	72,179	174
Cash and bank balances	144,387	98,217	6,273	6,907
	243,742	123,464	78,452	7,081

Included in the deposits placed with licensed banks of the Group is RM10,943,000 (2014: RM8,684,000) pledged for bank facilities granted to certain subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

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13. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2015 RM'000	2014 RM'000	2015 '000	2014 '000
Ordinary shares of RM1.00 each:				
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid:				
At 1 August	186,355	182,327	186,355	182,327
Shares issued under private placement	20,580	--	20,580	--
Shares issued under ESOS	22,497	4,028	22,497	4,028
Shares held under trust	1,416	--	1,416	--
At 31 July	230,848	186,355	230,848	186,355

Reserves

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-distributable				
Share premium	93,982	6,187	93,982	6,187
Shares held under trust	(4,972)	--	(4,972)	--
Revaluation reserve	56,763	58,527	23,339	24,905
Exchange fluctuation reserve	27,140	171	--	--
Capital reserve	10,151	142	--	--
Employee share-based reserve	7,193	8,451	5,535	7,282
Treasury shares	(1,582)	(1,536)	(1,582)	(1,536)
	188,675	71,942	116,302	36,838
Distributable				
Retained earnings	357,511	267,863	33,966	68,696
	546,186	339,805	150,268	105,534

Treasury shares

At the Annual General Meeting held on 5 January 2015, the shareholders of the Company renewed their approval for the Company to repurchase its own shares.

During the financial year, the Company repurchased from the open market a total of 20,000 (2014: 10,000) of its issued ordinary shares. The average repurchase price was RM2.32 (2014: RM1.40) per ordinary share. The total consideration paid was RM46,337 including transaction costs of RM337.

The repurchase transactions were financed by internally generated funds and the repurchased shares are being held as treasury shares and carried at cost.

At 31 July 2015, a total of 1,149,336 (2014: 1,129,336) repurchased shares are being held as treasury shares. The number of outstanding ordinary shares of RM1.00 each in issue after the setoff is 229,698,270 (2014: 185,225,170).

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

13. CAPITAL AND RESERVES (CONT'D)

Treasury shares (cont'd)

Treasury shares have no rights to voting, dividends and participation in any other distribution. Treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholding, take-overs, notices, the requisition of meeting, the quorum for a meeting and the result of a vote on a resolution at a meeting.

Shares held under trust

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

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

	2015
	RM'000
Subscription of new shares	7,020
Exercise of ESOS options by eligible employees via ETF mechanism	(2,048)
As at 31 July 2015	<u>4,972</u>

Revaluation reserve

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

Exchange fluctuation reserve

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

Capital reserve

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

13. CAPITAL AND RESERVES (CONT'D)

Equity settled share-based transaction

At an Extraordinary General Meeting held on 8 May 2015, the Company's shareholders approved the establishment of an Employees' Share Option Scheme (ESOS) of not more than 15% of the issued and paid-up ordinary share capital of the Company to eligible Directors and employees of the Group and at the same date, the existing ESOS was terminated.

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

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

Date of offer	Exercise price	Number of options over ordinary shares of RM1.00 each ('000)				At 31 July 2015
		At 1 August 2014	Granted	Exercised	Forfeited	
19 November 2010	RM1.54	12,846	--	(12,726)	(120)	--
23 July 2014	RM1.68	7,993	--	(7,941)	(52)	--
12 May 2015	RM3.51	--	30,800	(1,830)	(85)	28,885

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:

	2015	2014
Fair value at grant date	RM0.757	RM0.371
Share price at grant date	RM3.90	RM1.96
Expected volatility (weighted average volatility)	30%	30%
Option life (expected weighted average life)	5 years	1.3 years
Expected dividends	5%	5%
Risk-free interest rate (based on Malaysian Government Securities)	3.356%	3.214%

Value of employee services received for issue of share options

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total expense recognised as equity settled share-based transaction	8,536	5,434	3,056	1,376

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

14. LONG TERM PAYABLES

	Group	
	2015	2014
	RM'000	RM'000
Due to Directors	4,322	4,322

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

15. LOANS AND BORROWINGS

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Non-current				
Secured				
Term loans	71,925	80,132	--	--
Finance lease liabilities	2,929	112	491	112
	74,854	80,244	491	112
Unsecured				
Term loans	48,161	59,782	8,704	12,641
	123,015	140,026	9,195	12,753
Current				
Secured				
Term loans	21,735	12,738	--	--
Bank overdrafts	8,253	5,684	--	--
Short term loan	18,421	36,063	--	--
Trust receipts	30,195	31,751	--	--
Finance lease liabilities	2,250	55	224	45
	80,854	86,291	224	45
Unsecured				
Revolving credit	5,000	8,000	5,000	8,000
Term loans	18,723	19,875	3,984	5,714
Bankers' acceptances	81,613	114,838	12,994	13,409
Bank overdrafts	393	1,453	--	--
Trust receipts	88,997	19,834	4,750	--
Short term loan	13,613	19,474	--	--
	208,339	183,474	26,728	27,123
	289,193	269,765	26,952	27,168
	412,208	409,791	36,147	39,921

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 25.5.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

15. LOANS AND BORROWINGS (CONT'D)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	← Group →			← Company →		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
2015						
Less than one year	2,474	224	2,250	252	28	224
Between one and five years	3,050	121	2,929	515	24	491
	<u>5,524</u>	<u>345</u>	<u>5,179</u>	<u>767</u>	<u>52</u>	<u>715</u>
2014						
Less than one year	60	5	55	50	5	45
Between one and five years	116	4	112	116	4	112
	<u>176</u>	<u>9</u>	<u>167</u>	<u>166</u>	<u>9</u>	<u>157</u>

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade payables	280,655	327,118	24,476	34,920
Other payables and accrued expenses	115,506	109,376	16,622	18,767
Derivatives at fair value through profit or loss				
- forward foreign currency contracts	29	136	--	--
Due to subsidiaries				
- trade	--	--	--	22,018
- non-trade	--	--	2,495	--
Due to associates				
- trade	--	399	--	--
	<u>396,190</u>	<u>437,029</u>	<u>43,593</u>	<u>75,705</u>

Included in other payables and accrued expenses are:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Property, plant and equipment creditors	6,585	7,796	3,808	3,905
Sundry creditors	20,782	23,213	3,583	3,331
Accrued expenses	56,514	48,315	9,231	11,531
Progress billings to customers	31,625	30,052	--	--
	<u>115,506</u>	<u>109,376</u>	<u>16,622</u>	<u>18,767</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

16. TRADE AND OTHER PAYABLES (CONT'D)

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

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

17. FINANCE COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	14,199	15,081	1,649	2,474
Other financing cost	1,857	1,621	49	36
	16,056	16,702	1,698	2,510
Recognised in profit or loss	16,043	16,080	1,698	2,510
Capitalised in property, plant and equipment	13	622	--	--
	16,056	16,702	1,698	2,510

18. OPERATING PROFIT

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Operating profit is arrived at after charging/(crediting)				
Audit fees				
- KPMG Malaysia:				
- Current year	251	221	146	143
- Under provided in prior year	12	--	--	--
- Other auditors	951	663	--	--
Non-audit fees				
- KPMG Malaysia	9	9	9	9
- Other auditors	182	173	--	--
Amortisation of prepaid lease payments	2,276	2,098	--	--
Allowance for slow moving inventories	7,688	2,403	--	246
Changes in fair value of investment properties	(219)	--	--	--
Depreciation	60,805	59,487	9,142	9,262
Derivative (gain)/loss on currency forward contracts	(695)	(20)	--	13
Impairment loss:				
- property, plant and equipment	972	--	--	--
- trade receivables	2,035	401	6	--
- investments in subsidiaries	--	--	--	1,703

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

18. OPERATING PROFIT (CONT'D)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Operating profit is arrived at after charging/(crediting) (cont'd)				
Operating lease rental	4,837	4,599	--	--
Personnel expenses (including key management personnel):				
- Contributions to state plans	8,415	7,608	3,195	3,963
- Wages, salaries and others	263,459	256,969	38,705	48,747
- Equity settled share-based transactions	8,536	5,434	3,056	1,376
Rental of premises	7,152	5,743	2,102	3,162
Bad debts recovered	--	(414)	--	--
Foreign exchange:				
- Unrealised (gain)/loss	(8,151)	719	(153)	(86)
- Realised (gain)/loss	(26,425)	2,033	(3,620)	323
Dividend income from subsidiaries	--	--	(7,000)	(24,000)
Property, plant and equipment:				
- Written off	1,062	49	1	3
- Loss/(Gain) on disposal	1,714	1,025	(362)	(236)
Rental income	(1,763)	(284)	(33)	(41)

Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors				
- Fees	602	571	412	412
- Remuneration	18,293	17,320	7,595	12,305
- Contributions to state plans	1,668	1,501	1,191	1,476
- Equity settled share-based transaction	1,853	1,301	1,215	471
Total short term employee benefits	22,416	20,693	10,413	14,664
Other key management personnel:				
- Wages, salaries and others	3,636	3,943	607	577
- Contributions to state plans	169	179	72	69
- Other short term employee benefits	41	30	9	9
- Equity settled share-based transaction	518	374	68	26
	4,364	4,526	756	681
	26,780	25,219	11,169	15,345

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

18. OPERATING PROFIT (CONT'D)

Key management personnel compensation (cont'd)

The estimated monetary value of Directors' benefit-in-kind of the Group/Company is RM102,000 (2014: RM124,000).

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.

19. TAX EXPENSE/(INCOME)

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current tax expense				
- Malaysian tax				
- Current year	29,984	13,865	71	--
- Prior year	(40)	(167)	--	47
- Overseas tax				
- Current year	6,258	4,366	--	--
	36,202	18,064	71	47
Deferred tax income				
- Malaysian tax				
- Origination and reversal of temporary differences	(1,326)	(22,000)	(1,089)	(3,148)
- Prior year	333	201	358	80
- Overseas tax				
- Origination and reversal of temporary differences	(988)	(942)	--	--
	(1,981)	(22,741)	(731)	(3,068)
Total tax expense/(income)	34,221	(4,677)	(660)	(3,021)

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

19. TAX EXPENSE/(INCOME) (CONT'D)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Reconciliation of tax expense				
Profit for the year	125,465	46,670	3,699	12,687
Total tax expense/(income)	34,221	(4,677)	(660)	(3,021)
Profit before tax	159,686	41,993	3,039	9,666
Income tax calculated using Malaysian tax rate of 25%	39,922	10,498	760	2,417
Effect of different tax rates in foreign jurisdictions	2,042	228	--	--
Deferred tax assets not recognised: - subsidiaries	4,795	2,628	--	--
Non-deductible expenses	2,696	2,156	1,143	1,333
Tax exempt/Non-taxable income	(36)	(14)	(1,750)	(6,000)
Utilisation of tax incentives	(15,491)	(1,258)	--	--
Recognition of unutilised tax incentive	--	(18,000)	--	--
Effect of changes in tax rate*	--	(949)	--	(398)
Reversal of deferred tax arising from control transfer out	--	--	(1,171)	(500)
Under provided in prior years	33,928	(4,711)	(1,018)	(3,148)
	293	34	358	127
Total tax expense/(income)	34,221	(4,677)	(660)	(3,021)

* The Malaysian Budget 2014 announced the reduction of corporate tax rate to 24% with effect from year of assessment 2016. Consequently, deferred tax assets and liabilities of the Malaysian entities which are expected to reverse in 2016 and beyond are measured using the tax rate of 24%.

20. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

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

	Group	
	2015 RM'000	2014 RM'000
Profit for the year attributable to owners	132,739	53,633

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

20. EARNINGS PER ORDINARY SHARE (CONT'D)

Basic earnings per ordinary share (cont'd)

	2015	2014
	'000	'000
Weighted average number of ordinary shares at 31 July	206,146	181,537
Effect of share split*	824,582	726,148
Adjusted weighted average number of ordinary shares as at 31 July	1,030,728	907,685
Basic earnings per ordinary share (sen)	12.88	5.91

* The weighted average number of ordinary shares has been adjusted to reflect the effects of the shares split subsequent to the year end (see Note 30).

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 July 2015 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary share outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2015	2014
	RM'000	RM'000
Profit for the year attributable to owners (diluted)	132,739	53,633
Weighted average number of ordinary shares (diluted):		
	Group	
	2015	2014
	'000	'000
Weighted average number of ordinary shares (basic)	1,030,728	--
Effect of share options in issue	44,394	--
Weighted average number of ordinary shares (diluted) at 31 July	1,075,122	--
Diluted earnings per ordinary share (sen)	12.35	--

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

21. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2015			
2014 - Third interim, single tier	3.5	6,938	30 October 2014
2014 - Final, single tier	3.5	7,096	28 January 2015
2015 - First interim, single tier	3.0	6,162	16 March 2015
2015 - Second interim, single tier	3.0	6,176	15 May 2015
2015 - Third interim, single tier	6.0	13,776	28 July 2015
		<u>40,148</u>	
2014			
2013 - Second interim, single tier	3.0	5,436	30 October 2013
2014 - First interim, single tier	2.2	3,986	28 January 2014
2014 - Second interim, single tier	2.5	4,628	15 August 2014
		<u>14,050</u>	

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

	Sen per share	Total amount RM'000	Date of payment
2015 - Fourth interim, single tier	1.2	13,875	30 October 2015
2015 - Final, single tier	1.2	13,880	29 January 2016
		<u>27,755</u>	

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

22. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment represents:-

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current year additions (Note 3)	70,261	57,582	8,949	5,660
Less: Amount financed by:				
- finance lease creditors	(7,157)	--	(770)	--
- amount under credit term (Note 16)	(6,585)	(7,796)	(3,808)	(3,905)
Finance cost capitalised	(13)	(622)	--	--
Add: Payment in respect of previous year's purchase of property, plant and equipment	7,796	6,540	3,905	1,993
	<u>64,302</u>	<u>55,704</u>	<u>8,276</u>	<u>3,748</u>

23. 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

23. OPERATING SEGMENTS (CONT'D)

	Malaysia		People's Republic of China		Indonesia		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Segment profit	170,269	56,028	(7,639)	(8,810)	(3,608)	(2,582)	159,022	44,636
<i>Included in the measure of segment profit are:</i>								
Revenue from external customers	1,328,224	1,078,436	525,886	567,610	80,759	66,709	1,934,869	1,712,755
Inter-segment revenue	1,390	1,182	6,324	6,016	--	--	7,714	7,198
Depreciation and amortisation	(27,074)	(25,143)	(29,152)	(31,735)	(6,642)	(4,572)	(62,868)	(61,450)
Finance costs	(6,443)	(5,803)	(7,886)	(9,265)	(1,714)	(910)	(16,043)	(15,978)
Finance income	563	277	409	304	176	218	1,148	799
<i>Not included in the measure of segment profit but provided to Managing Director</i>								
Tax (expense)/income	(28,952)	8,104	(5,089)	(3,491)	(148)	64	(34,189)	4,677
Segment assets	1,299,008	1,119,334	699,807	610,599	127,691	110,420	2,126,506	1,840,353
<i>Included in the measure of segment assets are:</i>								
Additions to non-current assets other than financial instruments and deferred tax assets	35,749	31,485	20,436	8,840	13,906	18,356	70,091	58,681
Segment liabilities	533,818	592,062	348,167	367,409	68,484	60,966	950,469	1,020,437

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

23. OPERATING SEGMENTS (CONT'D)

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

	2015 RM'000	2014 RM'000
Profit		
Total profit for reportable segments	159,022	44,636
Other non-reportable segments	533	(2,702)
Elimination of inter-segment profits	1,700	748
Share of loss of associates not included in reportable segments	(1,569)	(689)
Consolidated profit before tax	159,686	41,993

	External revenue RM'000	Deprecia- -tion and amortisa- -tion RM'000	Finance costs RM'000	Interest income RM'000	Segment assets RM'000	Investment in associates RM'000	Additions to non- current assets RM'000	Segment liabilities RM'000
2015								
Total reportable segments	1,934,869	(62,868)	(16,043)	1,148	2,126,506	--	70,091	950,469
Other non-reportable segments	2,016	(213)	--	13	14,339	--	170	23,189
Components not monitored by Managing Director	--	--	--	--	--	8,101	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(285,167)	--	--	(97,605)
Consolidated total	1,936,885	(63,081)	(16,043)	1,161	1,855,678	8,101	70,261	876,053
2014								
Total reportable segments	1,712,755	(61,450)	(15,978)	799	1,840,353	--	58,681	1,020,437
Other non-reportable segments	2,327	(135)	(102)	--	14,767	--	606	22,117
Components not monitored by Managing Director	--	--	--	--	--	8,187	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(303,431)	--	(1,705)	(131,854)
Consolidated total	1,715,082	(61,585)	(16,080)	799	1,551,689	8,187	57,582	910,700

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

23. 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group				
Malaysia	555,509	561,084	291,152	283,915
United States of America	575,936	501,215	--	--
Europe	125,023	105,260	--	--
Indonesia	81,589	69,219	85,806	65,108
People's Republic of China	303,174	322,081	436,269	340,187
Others	295,654	156,223	2,854	2,672
Total	1,936,885	1,715,082	816,081	691,882

Major customers

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

	Revenue RM'000	Segment
2015		
Customer A	563,483	Malaysia
Customer B	238,792	Malaysia
2014		
Customer A	366,653	Malaysia
Customer B	213,040	Malaysia

24. CONTINGENCIES (UNSECURED)

	Company	
	2015 RM'000	2014 RM'000
Corporate guarantees given to financial institutions in respect of outstanding term loans and banking facilities of subsidiaries	193,137	157,072

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

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

- (a) Loans and receivables ("L&R");
- (b) Financial liabilities measured at amortised cost ("FL"); and
- (c) Fair value through profit or loss ("FVTPL")
 - forward foreign currency contracts.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	L&R RM'000	FL RM'000	FVTPL - forward foreign currency contracts RM'000
2015				
Group				
Trade and other receivables	500,681	500,681	--	--
Cash and cash equivalents	243,742	243,742	--	--
Loans and borrowings	(412,208)	--	(412,208)	--
Trade and other payables	(364,536)	--	(364,536)	--
Derivative financial liabilities	(29)	--	--	(29)
Long term payables	(4,322)	--	(4,322)	--
	(36,672)	744,423	(781,066)	(29)
Company				
Trade and other receivables	53,594	53,594	--	--
Cash and cash equivalents	78,452	78,452	--	--
Loans and borrowings	(36,147)	--	(36,147)	--
Trade and other payables	(43,593)	--	(43,593)	--
	52,306	132,046	(79,740)	--
2014				
Group				
Trade and other receivables	447,550	447,550	--	--
Cash and cash equivalents	123,464	123,464	--	--
Loans and borrowings	(409,791)	--	(409,791)	--
Trade and other payables	(406,841)	--	(406,841)	--
Derivative financial liabilities	(136)	--	--	(136)
Dividends payable	(4,628)	--	(4,628)	--
Long term payables	(4,322)	--	(4,322)	--
	(254,704)	571,014	(825,582)	(136)
Company				
Trade and other receivables	70,204	70,204	--	--
Cash and cash equivalents	7,081	7,081	--	--
Dividends receivable	14,000	14,000	--	--
Loans and borrowings	(39,921)	--	(39,921)	--
Trade and other payables	(75,705)	--	(75,705)	--
Dividends payable	(4,628)	--	(4,628)	--
	(28,969)	91,285	(120,254)	--

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net gains/(losses) arising on:				
Fair value through profit or loss:				
- forward foreign currency contracts	695	20	--	(13)
Loans and receivables	64,218	(3,969)	7,115	(416)
Financial liabilities measured at amortised cost	(46,560)	(14,051)	(4,768)	(2,265)
	18,353	(18,000)	2,347	(2,694)

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company have significant concentration of credit risk arising from amounts due from two major customers, representing 49% and 49% (2014: 51% and 77%) of the Group's and of the Company's trade receivables respectively.

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

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

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysia	135,777	88,054	21,233	28,580
Indonesia	13,478	12,174	--	--
People's Republic of China	84,574	67,230	--	--
United States of America	171,594	188,613	--	--
Others	65,875	67,392	--	--
	471,298	423,463	21,233	28,580

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables (as disclosed in Note 9) as at the end of the reporting period was:

	← Group →			Company
	Gross RM'000	Individual impairment RM'000	Net RM'000	Gross/Net RM'000
2015				
Not past due	400,100	--	400,100	16,160
Past due 1 - 30 days	57,237	--	57,237	5,026
Past due 31 - 60 days	4,647	--	4,647	43
Past due 61 - 90 days	1,489	(178)	1,311	2
Past due more than 90 days	7,825	(6,031)	1,794	2
	471,298	(6,209)	465,089	21,233
2014				
Not past due	357,978	--	357,978	26,038
Past due 1 - 30 days	42,942	--	42,942	1,582
Past due 31 - 60 days	12,979	--	12,979	124
Past due 61 - 90 days	2,754	(469)	2,285	8
Past due more than 90 days	6,810	(3,596)	3,214	828
	423,463	(4,065)	419,398	28,580

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

	Group	
	2015 RM'000	2014 RM'000
At 1 August 2014/2013	4,065	4,101
Impairment loss recognised	2,035	401
Impairment loss written off	(666)	(352)
Exchange differences	775	(85)
At 31 July	6,209	4,065

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

In determining whether impairment allowance is required to be made, the Group considers financial background of the customers, past transactions and other specific reasons causing outstanding balances to be past due more than 60 days.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.4 Credit risk (cont'd)

Receivables (cont'd)

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM193.1 million (2014: RM157.1 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company 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.

As at the end of the reporting period, there was no indication that the loans and advances to subsidiaries are not recoverable.

25.5 Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.5 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
2015							
<i>Non-derivative financial liabilities</i>							
Secured finance lease liabilities	5,179	2.20 - 2.40	5,524	2,474	2,089	961	--
Secured term loans	93,660	2.90	97,991	23,134	24,965	49,892	--
Secured bank overdrafts	8,253	6.50	8,789	8,789	--	--	--
Secured short term loan	18,421	3.90 - 7.30	19,607	19,607	--	--	--
Secured trust receipts	30,195	2.50	30,575	30,575	--	--	--
Unsecured bank overdrafts	393	7.60	393	393	--	--	--
Unsecured short term loan	13,613	3.90 - 7.30	14,416	14,416	--	--	--
Unsecured term loans	66,884	3.04 - 5.25	68,934	19,805	19,538	29,591	--
Unsecured revolving credit	5,000	5.14	5,000	5,000	--	--	--
Unsecured bankers' acceptances	81,613	3.95 - 4.66	81,613	81,613	--	--	--
Unsecured trust receipts	88,997	0.93 - 1.66	88,997	88,997	--	--	--
Due to Directors	4,322	--	4,322	--	--	--	4,322
Trade and other payables	364,536	--	364,536	364,536	--	--	--
	<u>781,066</u>		<u>790,697</u>	<u>659,339</u>	<u>46,592</u>	<u>80,444</u>	<u>4,322</u>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	29		16,120	16,120	--	--	--
Inflow	--		(16,091)	(16,091)	--	--	--
	<u>781,095</u>		<u>790,726</u>	<u>659,368</u>	<u>46,592</u>	<u>80,444</u>	<u>4,322</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.5 Liquidity risk (cont'd)

Group	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2014							
<i>Non-derivative financial liabilities</i>							
Secured finance lease liabilities	167	3.49 - 3.57	176	60	50	66	--
Secured term loans	92,870	3.30	95,041	13,602	81,439	--	--
Secured bank overdrafts	5,684	6.50	5,684	5,684	--	--	--
Secured short term loan	36,063	6.00 - 7.20	39,555	39,555	--	--	--
Secured trust receipts	31,751	2.40	31,751	31,751	--	--	--
Unsecured bank overdrafts	1,453	7.70 - 7.80	1,453	1,453	--	--	--
Unsecured short term loan	19,474	6.00 - 7.20	19,474	19,474	--	--	--
Unsecured term loans	79,657	3.04 - 5.25	83,042	21,250	18,049	43,743	--
Unsecured revolving credit	8,000	5.04 - 5.49	8,000	8,000	--	--	--
Unsecured bankers' acceptances	114,838	1.21 - 4.68	114,838	114,838	--	--	--
Unsecured trust receipts	19,834	1.00 - 1.71	19,834	19,834	--	--	--
Due to Directors	4,322	--	4,322	--	--	--	4,322
Trade and other payables	406,841	--	406,841	406,841	--	--	--
Dividends payable	4,628	--	4,628	4,628	--	--	--
	<u>825,582</u>		<u>834,639</u>	<u>686,970</u>	<u>99,538</u>	<u>43,809</u>	<u>4,322</u>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	136	--	76,340	76,340	--	--	--
Inflow	--	--	(76,204)	(76,204)	--	--	--
	<u>825,718</u>		<u>834,775</u>	<u>687,106</u>	<u>99,538</u>	<u>43,809</u>	<u>4,322</u>
Company							
2015							
<i>Non-derivative financial liabilities</i>							
Secured finance lease liabilities	715	2.28 - 2.40	767	252	252	263	--
Unsecured term loans	12,688	5.25	13,749	4,557	4,557	4,635	--
Unsecured revolving credit	5,000	5.14	5,000	5,000	--	--	--
Unsecured bankers' acceptances	12,994	3.95 - 4.66	12,994	12,994	--	--	--
Unsecured trust receipts	4,750	0.93 - 1.40	4,750	4,750	--	--	--
Trade and other payables	43,593	--	43,593	43,593	--	--	--
Financial guarantee*	--	--	193,137	193,137	--	--	--
	<u>79,740</u>		<u>273,990</u>	<u>264,283</u>	<u>4,809</u>	<u>4,898</u>	<u>--</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.5 Liquidity risk (cont'd)

Group	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2014							
<i>Non-derivative financial liabilities</i>							
Secured finance lease liabilities	157	3.57	166	50	50	66	--
Unsecured term loans	18,355	4.05 - 5.25	20,068	6,398	4,557	9,113	--
Unsecured revolving credit	8,000	5.04 - 5.49	8,000	8,000	--	--	--
Unsecured bankers' acceptances	13,409	1.21 - 4.68	13,409	13,409	--	--	--
Trade and other payables	75,705	--	75,705	75,705	--	--	--
Dividends payable	4,628	--	4,628	4,628	--	--	--
Financial guarantee*	--	--	157,072	157,072	--	--	--
	120,254		279,048	265,262	4,607	9,179	--

* Represents the amount outstanding as disclosed in Note 25.4.

25.6 Market risk

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

Currency risk

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

The other currencies such as Euro, Singapore Dollar, Japanese Yen and Hong Kong Dollar are also used by the Group for sales and purchase purposes. However, the exposures to these currencies are not considered significant to the Group as their usages are not extensive.

Risk management objectives, policies and processes for managing the risk

The Group uses forward exchange contracts from time to time to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.6 Market risk (cont'd)

Currency risk (cont'd)

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	← Denominated in USD →			
	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade and other receivables	379,253	342,075	26,540	28,292
Cash and cash equivalents	96,975	45,474	3,462	1,994
Trade and other payables	(158,182)	(173,997)	(12,438)	(20,005)
Unsecured trust receipts	(88,997)	(19,834)	(4,750)	--
Unsecured short term loan	(2,601)	(3,043)	--	--
Unsecured term loans	(2,272)	(2,909)	--	--
Secured trust receipts	(30,195)	(31,751)	--	--
Secured term loans	(93,660)	(92,870)	--	--
Forward foreign currency contracts	(16,117)	(76,250)	--	--
	84,204	(13,105)	12,814	10,281

Currency risk sensitivity analysis

Foreign currency risk mainly arises from Group entities which have Ringgit Malaysia ("RM") and Chinese Renminbi ("RMB") functional currencies. The exposure to currency risk of the other Group entities is not material and hence, sensitivity analysis is not presented.

A 10% (2014: 10%) strengthening of the RM against the following currency at the end of the reporting period would have increased or decreased equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Denominated in USD	
	Group RM'000	Company RM'000
2015		
Profit or (loss)	(6,315)	(961)
2014		
Profit or (loss)	983	(771)

A 10% (2014: 10%) weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

25. FINANCIAL INSTRUMENTS (CONT'D)

25.6 Market risk (cont'd)

Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	99,355	25,247	72,179	174
Financial liabilities	(211,679)	(187,148)	(23,459)	(21,566)
	<u>(112,324)</u>	<u>(161,901)</u>	<u>48,720</u>	<u>(21,392)</u>
Floating rate instruments				
Financial liabilities	<u>(200,529)</u>	<u>(222,643)</u>	<u>(12,688)</u>	<u>(18,355)</u>

Interest rate risk sensitivity analysis

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

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the end of the reporting period would have increased (decreased) the Group's and the Company's post-tax profit or loss by RM1,504,000 (2014: RM1,670,000) and RM95,000 (2014: RM138,000) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

25.7 Fair value information

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.7 Fair value information (cont'd)

The carrying amount of non-current portion of term loans are subject to floating rate and approximate its fair value as its effective interest rate changes accordingly to movements in the market interest rate.

The fair value of amount due to Directors cannot be measured reliably because the financial liabilities do not have a contractual maturity date. In any event, this balance is insignificant.

The carrying amount of the finance lease liabilities approximate its fair value as the effective interest rates are reflective of the current market interest rates.

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) and were included in Level 2.

26. 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 2015 and 31 July 2014 were as follows:

	Group	
	2015 RM'000	2014 RM'000
Total loans and borrowings (Note 15)	412,208	409,791
Less: Cash and cash equivalents (Note 12)	(243,742)	(123,464)
Net debt	168,466	286,327
Total equity attributable to owners of the Company	777,034	526,160
Debt-to-equity ratio	0.22	0.54

27. CAPITAL COMMITMENTS

	Group	
	2015 RM'000	2014 RM'000
Property, plant and equipment		
Contracted but not provided for	5,987	--

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

28. OPERATING LEASE COMMITMENTS

Leases as lessee

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	Group	
	2015	2014
	RM'000	RM'000
Within one year	2,608	2,298

Leases as lessor

As at 31 July 2015 and 2014, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	Group	
	2015	2014
	RM'000	RM'000
Within one year	3,144	--
Between one and five years	1,249	--
	<u>4,393</u>	<u>--</u>

29. 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. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its significant investors, subsidiaries, associates and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

29. RELATED PARTIES (CONT'D)

Significant related party transactions

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 18) as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
A. Subsidiaries				
Sales of goods	--	--	116,320	63,501
Sales of plant and equipment	--	--	372	2,028
Purchases of goods	--	--	12,223	48,239
Loan from subsidiaries	--	--	--	9,621
Rental expense	--	--	234	97
Dividend received/receivable	--	--	7,000	24,000
Loan to subsidiaries	--	--	166	--
B. Associates				
Purchases of goods	383	1,002	--	--
Sale of goods	9,673	3,767	--	--
Outstanding balances:				
- due from	10,247	2,613	--	--
C. Companies which are wholly - owned by close family member of certain Directors				
Purchases of tooling	3,628	6,022	--	--
Sales commission income	--	665	--	--
Outstanding balances:				
- due to	620	1,181	--	--
- due from	--	73	--	--
D. Company in which the spouse of a Director has financial interest				
Purchases of goods	16,298	--	9,445	--
Outstanding balances	5,040	--	3,103	--
E. A company in which the Directors have substantial financial interest				
Rental expenses	--	58	--	--
F. Companies in which a major shareholder has financial interest				
Purchases of goods	8,357	15,780	6,675	10,643
Outstanding balances	--	8,924	--	7,289

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

29. RELATED PARTIES (CONT'D)

Significant related party transactions (cont'd)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
G. Remuneration paid to staff who are close family member of certain Directors	1,638	1,312	514	393
H. A company controlled by a Director				
Operating lease charges and management fee expense	4,508	4,184	--	--
Outstanding balances:				
- due from	1,282	931	--	--
I. A company controlled by the family member of a Director				
Sub-contracting fee expense	2,442	4,094	--	--
Outstanding balances	343	468	--	--
J. A company controlled by the family member of a key management personnel				
Repair and maintenance services	312	415	--	--
Outstanding balances	10	32	--	--
K. A Director				
Sale of property	--	500	--	500

30. SUBSEQUENT EVENT

- a) On 11 September 2015, the Company sub-divided its issued and paid-up capital of every one (1) existing ordinary share of RM1.00 each into five ordinary shares of RM0.20 each. Pursuant to the sub division, 231,032,006 ordinary shares of RM1.00 each of the Company were sub-divided into 1,155,160,030 ordinary shares of RM0.20 each.
- b) As announced to Bursa Malaysia on 19 October 2015, the Company undertakes a proposed bonus issue of up to 290,765,213 free warrants ("bonus warrants") on the basis of one (1) bonus warrant for every four (4) existing ordinary shares of RM0.20 each in the Company held on an entitlement date to be determined. At the date of this report, the exercise has yet to be completed.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

31. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 July, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	205,217	137,406	37,325	72,534
- unrealised	12,676	4,058	(3,359)	(3,838)
	217,893	141,464	33,966	68,696
Total share of retained earnings from associates				
- realised	(6,552)	(4,983)	--	--
	211,341	136,481	33,966	68,696
Add: Consolidation adjustments	146,170	131,382	--	--
Total retained earnings	357,511	267,863	33,966	68,696

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

LIST OF PROPERTIES

Beneficial Owner(s)	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2015 RM'000	Date of Last Revaluation (R) / Acquisition (A)
V.S. INDUSTRY BERHAD						
PTD 88447, Jalan Murni 12 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	12.26	462,101	Factory/office (2-storey)	Freehold (9-12 years)	63,735	31-Jul-13 (R)
PTD 86366, Jalan Murni 8 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	1.76	-	Parking lot	Freehold	2,900	31-Jul-13 (R)
V.S. PLUS SDN. BHD.						
PTD 8823 - PLO 39 Jalan Perindustrian 4 Kawasan Perindustrian Senai II 81400 Senai Johor Darul Takzim	3.31	275,384	Factory/office (4-storey)	Leasehold for 60 years expiring on 01/06/2051 (23 years)	25,180	31-Jul-13 (R)
PTD 8811 - PLO 46 Jalan Perindustrian 1 Kawasan Perindustrian Senai II 81400 Senai Johor Darul Takzim	1.55	54,807	Warehouse (2-storey)	Leasehold for 60 years expiring on 14/05/2050 (22 years)	6,176	31-Jul-13 (R)
PTD 65013 - 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 23/11/2059 (18 years)	3,306	31-Jul-13 (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 13/02/2060 (18 years)	5,423	31-Jul-13 (R)
PTD 102902 Jalan Murni 8 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	8.19	-	One (1) parcel of vacant industrial land	Freehold	10,000	31-Jul-13 (R)
Lot 214, Jalan Seelong-Senai 81400 Senai Johor Darul Takzim	6.30	227,099	Factory/office (2-storey)	Freehold (5 years)	31,970	31-Jul-13 (R)

LIST OF PROPERTIES

(cont'd)

Beneficial Owner(s)	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2015 RM'000	Date of Last Revaluation (R) / Acquisition (A)
V.S. ELECTRONICS SDN. BHD.						
PTD 8816 - 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 14/05/2050 (19 years)	21,215	31-Jul-13 (R)
V.S. TECHNOLOGY SDN. BHD.						
PTD 8799 - 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 11/02/2047 (28 years)	5,734	31-Jul-13 (R)
V.S. ASHIN TECHNOLOGY SDN. BHD.						
Lot 72061- PLO 121 Jalan Cyber 5 Kawasan Perindustrian Senai III 81400 Senai Johor Darul Takzim	1.00	27,900	Vacant (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 15/06/2064 (15 years)	3,600	6-Aug-15 (R)
V.S. INTEGRATED MANAGEMENT SDN. BHD. (formerly known as V.S. Logistics Sdn. Bhd.)						
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 (23 years)	1,100	6-Aug-15 (R)
PTD 42659 & 42660 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 (4-19 years)	5,575	31-Jul-13 (R)

LIST OF PROPERTIES

(cont'd)

Beneficial Owner(s)	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/ (Approximate Age of Building)	Net Book Value as at 31 July 2015 RM'000	Date of Last Revaluation (R) / Acquisition (A)
PT. V. S. TECHNOLOGY INDONESIA						
Jl. Jababeka IV E Blok V 78K Kawasan Industri Jababeka Cikarang Pasirgombong Lemahabang Bekasi 17550 Indonesia	0.72	40,106	Vacant (2-storey)	Leasehold for 30 years expiring on 24/09/2023 (13 years)	3,257	31-Jul-13 (R)
Jl. Cendana Raya Blok F.10 No. 06B Kawasan Industri Delta Silicon III Lippo Cikarang Bekasi 17550 Indonesia	6.28	247,754	Factory/ office (2-storey)	Leasehold for 30 years expiring on 30/11/2032 (1 year)	46,635	5-Jul-11 (A)
V. S. TECHNOLOGY INDUSTRY PARK (ZHUHAI) CO., LTD.						
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 (14 years)	209,514	10-Jul-13 (A)
QINGDAO GS ELECTRONICS PLASTIC CO., LTD.						
Qianwangang Road South Haier International Industrial Park Qingdao Economic and Technology Development Zone Huangdao District Qingdao Shandong Province The People's Republic of China	7.57	222,148	Factory/ office	Leasehold for 50 years expiring on 09/01/2052 (13 years)	34,934	10-Jul-13 (A)
QINGDAO GP ELECTRONIC PLASTICS CO., LTD.						
Hetao Export Processing Zone Qingdao City Chengyang District Qingdao Shandong Province The People's Republic of China	6.00	194,179	Factory/ office	Leasehold for 50 years expiring on 30/12/2056 (9 years)	19,575	10-Jul-13 (A)

ANALYSIS OF SHAREHOLDINGS

As at 30 October 2015

Authorised Share Capital : RM500,000,000
 Issued and Fully Paid-Up Capital : RM232,487,166
 Class of Shares : Ordinary shares of RM0.20 each
 Voting Rights : One vote per ordinary share
 No. of Shareholders : 6,473

DISTRIBUTION OF SHAREHOLDINGS

Range of Shares	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
1 - 99	107	1.65	3,293	0.00
100 - 1,000	704	10.88	413,435	0.04
1,001 - 10,000	2,783	42.99	15,565,678	1.34
10,001 - 100,000	2,344	36.21	70,016,766	6.02
100,001 - 58,121,790	534	8.25	973,798,218	83.77
58,121,791 and above	1	0.02	102,638,440	8.83
Total	6,473	100.00	1,162,435,830	100.00

LIST OF TOP 30 SHAREHOLDERS AS AT 30 OCTOBER 2015

(as shown in the Record of Depositors)

No.	Name of Shareholders	Shares Held	Percentage (%)
1.	HSBC Nominees (Tempatan) Sdn Bhd <i>Exempt An For BNP Paribas Wealth Management Singapore Branch (Local)</i>	102,638,440	8.83
2.	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An For OCBC Securities Private Limited (Client A/C-NR)</i>	47,229,250	4.06
3.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Beh Kim Ling (MBB HK-240577)</i>	42,426,140	3.65
4.	Beh Kim Ling	39,504,655	3.40
5.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Tan Kit Pheng</i>	29,823,900	2.57
6.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Gan Sem Yam</i>	27,629,250	2.38
7.	Maybank Investment Bank Berhad <i>IVT (10)</i>	27,050,000	2.33
8.	HSBC Nominees (Asing) Sdn Bhd <i>Exempt An For The Bank Of New York Mellon (Mellon Acct)</i>	26,001,705	2.24
9.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Koon Yew Yin</i>	25,884,000	2.23
10.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Beh Kim Ling</i>	21,950,000	1.89
11.	Gan Tiong Sia	21,698,430	1.87
12.	Chin Fook Lai	20,514,800	1.76
13.	Tan Kuan Teck	19,730,600	1.70
14.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB For Gan Tong Chuan (PB)</i>	17,373,625	1.49

ANALYSIS OF SHAREHOLDINGS

As at 30 October 2015
(cont'd)

No.	Name of Shareholders	Shares Held	Percentage (%)
15.	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Koon Yew Yin (M)</i>	16,647,000	1.43
16.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB For Beh Hwee Lee (PB)</i>	15,958,615	1.37
17.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB For Beh Hwee Sze (PB)</i>	15,008,305	1.29
18.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Koon Yew Yin (002)</i>	14,967,700	1.29
19.	Chin Chin Seong	11,550,000	0.99
20.	HSBC Nominees (Tempatan) Sdn Bhd <i>JPMCB For Beh Chern Wei (JPMBLSA-JPMIB)</i>	11,500,000	0.99
21.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Gan Tong Chuan (MBB HK-280356)</i>	10,349,655	0.89
22.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Koon Yew Yin</i>	10,141,500	0.87
23.	Ding Long Fatt	10,000,000	0.86
24.	Gan Swu Kim	10,000,000	0.86
25.	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An For Citibank New York (Norges Bank 14)</i>	9,932,100	0.85
26.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Koon Yew Yin</i>	9,618,300	0.83
27.	Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Beh Kim Ling</i>	9,600,000	0.82
28.	Amanahraya Trustees Berhad <i>Public Islamic Opportunities Fund</i>	9,299,200	0.80
29.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (Nomura)</i>	8,800,000	0.76
30.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank For Koon Yew Yin (MY0951)</i>	8,500,000	0.73
	Total	651,327,170	56.03

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 30 OCTOBER 2015

(as shown in the Register of Substantial Shareholders)

No.	Name of Substantial Shareholders	Interests in Shares		Note	Percentage (%)
		Direct	Deemed		
1.	Datuk Beh Kim Ling	113,480,795	124,117,620	(a)	20.54
2.	Datin Gan Chu Cheng	77,850,700	159,747,715	(b)	20.54
3.	Datuk Gan Sem Yam	68,642,690	12,066,250	(c)	6.98
4.	Datin Ling Sok Mooi	1,500,000	79,208,940	(d)	6.98
5.	Koon Yew Yin	102,228,000	-		8.84

ANALYSIS OF SHAREHOLDINGS

As at 30 October 2015
(cont'd)

DIRECTORS' INTERESTS IN SHARES AS AT 30 OCTOBER 2015

Name of Directors	Interests in Shares		Note	Percentage (%)
	Direct	Deemed		
A. In the Company				
Datuk Beh Kim Ling	113,480,795	124,117,620	(a)	20.54
Datin Gan Chu Cheng	77,850,700	159,747,715	(b)	20.54
Datuk Gan Sem Yam	68,642,690	12,066,250	(c)	6.98
Dato' Gan Tiong Sia	21,698,430	-		1.88
Ng Yong Kang	200,000	-		0.02
Tan Sri Mohd Nadzmi Bin Mohd Salleh	750,000	-		0.06
Pan Swee Keat	-	-		-
Tang Sim Cheow	190,000	-		0.02
Chong Chin Siong (Alternate Director to Datin Gan Chu Cheng)	300,000	195,000	(e)	0.04
B. In Related Corporations				
(i) V.S. Ashin Technology Sdn. Bhd. (Ordinary shares of RM1.00 each)				
Datuk Beh Kim Ling	-	5,880,000	(f) & (i)	84.00
Datin Gan Chu Cheng	672,000	5,208,000	(f)	84.00
Datuk Gan Sem Yam	746,667	-		10.67
(ii) VS Marketing & Engineering Pte. Ltd. (Ordinary shares)				
Datuk Beh Kim Ling	-	1,224,000	(f)	51.00
Datin Gan Chu Cheng	-	1,224,000	(f)	51.00
Datuk Gan Sem Yam	-	816,000	(g)	34.00
Dato' Gan Tiong Sia	-	120,000	(h)	5.00
(iii) Serumi International Private Limited (Ordinary shares)				
Datuk Beh Kim Ling	-	1,160,000	(f)	58.00
Datin Gan Chu Cheng	-	1,160,000	(f)	58.00
Datuk Gan Sem Yam	-	1,160,000	(g)	58.00
(iv) V.S. International Group Limited (Ordinary shares of HKD0.05 each)				
Datuk Beh Kim Ling	67,962,027	846,356,675	(f) & (i)	50.13
Datin Gan Chu Cheng	24,268,704	890,049,998	(f) & (j)	50.13
Datuk Gan Sem Yam	35,737,117	-		1.96
Dato' Gan Tiong Sia	17,215,074	-		0.94
Tang Sim Cheow	639,130	-		0.04

ANALYSIS OF SHAREHOLDINGS

As at 30 October 2015
(cont'd)

Name of Directors	Interests in Shares			Percentage (%)
	Direct	Deemed	Note	
B. In Related Corporations (cont'd)				
(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	(i)	10.00
Datin Gan Chu Cheng	3,750,000	3,750,000	(j)	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	(i)	*
Datin Gan Chu Cheng	5	5	(j)	*
Datuk Gan Sem Yam	5	-		*

Note:

- (a) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng, son, Beh Chern Wei and daughters, Beh Hwee Lee and Beh Hwee Sze.
- (b) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling, son, Beh Chern Wei and daughters, Beh Hwee Lee and Beh Hwee Sze.
- (c) By virtue of the shareholdings of his spouse, Datin Ling Sok Mooi, son, Gan Pee Yong and daughter, Gan Chian Yi.
- (d) By virtue of the shareholdings of her spouse, Datuk Gan Sem Yam, son, Gan Pee Yong and daughter, Gan Chian Yi.
- (e) By virtue of the shareholdings of his spouse, Chai Ming Er.
- (f) By virtue of his/her substantial shareholdings in V.S. Industry Berhad.
- (g) By virtue of his substantial shareholdings in V.Plus Resources Pte. Ltd.
- (h) By virtue of the shareholdings of his daughter, Gan Swu Juan.
- (i) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng.
- (j) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling.

* Negligible percentage



"To have a great idea, have a lot of them."

Thomas Edison



I/We, _____ (NRIC No. _____)
of _____ being a
member/members of **V.S. INDUSTRY BERHAD** ("the Company") do hereby appoint _____
_____ (NRIC No. _____) of _____
or failing him/her, _____ (NRIC No. _____)

of _____
or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Thirty Third Annual General Meeting of the Company to be held at Perwira 1, Le Grandeur Palm Resort Johor, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor on Tuesday, 5 January 2016 at 10.00 a.m. and at any adjournment thereof.

Please indicate clearly with an "X" where appropriate against each resolution how you wish your proxy to vote. If no specific direction to voting is given, the proxy will vote or abstain at his/her discretion.

NO.	RESOLUTIONS	FOR	AGAINST
1	Approval of a final single tier dividend of 1.2 sen per ordinary share of RM0.20 each for the financial year ended 31 July 2015		
2	Approval of Directors' fees		
3	Re-election of retiring Director, Datuk Gan Sem Yam		
4	Re-election of retiring Director, Mr Tang Sim Cheow		
5	Re-election of retiring Director, Mr Pan Swee Keat		
6	Re-appointment of KPMG as Auditors and authorise the Directors to fix their remuneration		
7	Authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
8	Renewal of Shareholders' Approval for Share Buy-Back		
9	Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates		
10	Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited		
11	Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd. and/or Lip Sheng Precision (Zhuhai) Co., Ltd.		
12	Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd.		
13	Retention of Tan Sri Mohd Nadzmi Bin Mohd Salleh as Independent Non-Executive Director		
14	Retention of Mr Pan Swee Keat as Independent Non-Executive Director		
15	Retention of Mr Tang Sim Cheow as Independent Non-Executive Director		

Signed this _____ day of _____ 2015 / 2016

Number of ordinary shares held

Signature of Member(s)

NOTES:

- A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
- Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
- Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
Where a Member or authorised nominee appoints two (2) proxies, or where an Exempt Authorised Nominee appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- All forms of proxy must be deposited at the Registered Office of the Company situated at Suite 7E, Level 7, Menara Ansar, 65, Jalan Trus, 80000 Johor Bahru, Johor, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 27 November 2015.

Fold this flap for sealing

Then fold here

The Company Secretary
V.S. INDUSTRY BERHAD (88160-P)
Suite 7E, Level 7
Menara Ansar
65 Jalan Trus
80000 Johor Bahru
Johor, Malaysia

AFFIX
STAMP
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CORPORATE DIRECTORY

MALAYSIA

Headquarters

PTD 86556, Jalan Murni 12
Taman Perindustrian Murni
81400 Senai, Johor Darul Takzim
Tel No : 07-597 3399
Fax No : 07-599 4694
Website : www.vs-i.com

SUBSIDIARY COMPANIES

MALAYSIA

V.S. Plus Sdn. Bhd.
PLO 129, Jalan Cyber 5
Kawasan Perindustrian Senai III
81400 Senai
Johor Darul Takzim
Tel No : 07-598 3000
Fax No : 07-598 2000

PLO 39, Jalan Perindustrian 4
Kawasan Perindustrian Senai II
81400 Senai
Johor Darul Takzim
Tel No : 07-599 4199
Fax No : 07-599 5845

Lot 214, Jalan Seelong
81400 Senai
Johor Darul Takzim
Tel No : 07-596 8989
Fax No: 07-596 8800

V.S. Electronics Sdn. Bhd.
PLO 47, Jalan Perindustrian 1
Kawasan Perindustrian Senai II
81400 Senai
Johor Darul Takzim
Tel No : 07-597 3199
Fax No : 07-599 7608

V.S. Technology Sdn. Bhd.
PLO 7, Jalan Perindustrian
Kawasan Perindustrian Senai I
81400 Senai
Johor Darul Takzim
Tel No : 07-599 5050
Fax No : 07-599 5479

V.S. Ashin Technology Sdn. Bhd.
Registered Office
Suite 7E, Level 7, Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor Darul Takzim
Tel No : 07-224 1035
Fax No : 07-221 0891

V.S. Integrated Management Sdn.
Bhd. (Formerly known as V.S.
Logistics Sdn. Bhd.)
Registered Office
Unit 901, Level 9, City Plaza
21, Jalan Tebrau
80300 Johor Bahru
Johor Darul Takzim
Tel No : 07-333 1898
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