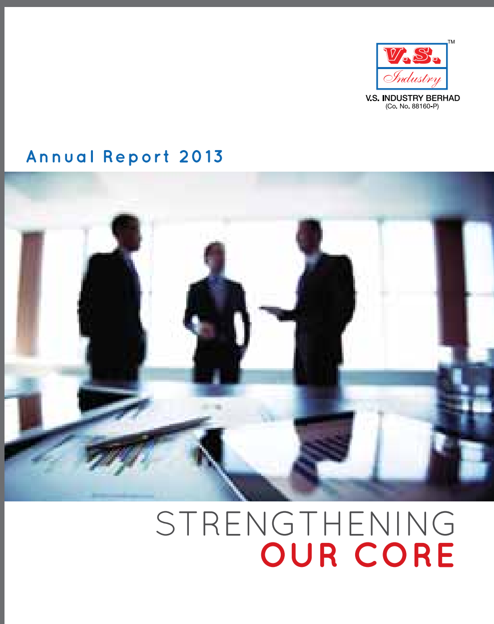
V.S. INDUSTRY BERHAD
(Co. No. 88160-P)

# Annual Report 2013

# STRENGTHENING OUR CORE




The core strength of a business entity is the primary essence which sustains its long-term performance and durability.

For over three decades, V.S. Industry has honed and sharpened its expertise in the Electronics Manufacturing Services (EMS) space, serving a steadily-growing clientele from the world over. With our visionary management team and entrepreneurial spirit, we are as dedicated to strengthening our core as to bringing favourable returns to our shareholders.

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# CORPORATE INFORMATION

**Board of Directors**
Datuk Beh Kim Ling
*Executive Chairman*

Datuk Gan Sem Yam
*Managing Director*

Datin Gan Chu Cheng
*Executive Director*

Gan Tiong Sia
*Executive Director*

Ng Yong Kang
*Executive Director*

Dato' 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*

Chang Tian Kwang
*Alternate Director to*
*Datin Gan Chu Cheng*

**Audit Committee**
Tang Sim Cheow
*(Chairman)*
Pan Swee Keat
Dato' 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**
Chang Tian Kwang
Ang Mui Kiow

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

**Registrar**
Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City,
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel No. : (603) 2264 3883
Fax No. : (603) 2282 1886

**Principal Bankers**
AmIslamic Bank Berhad
CIMB Bank Berhad
Citibank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) 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

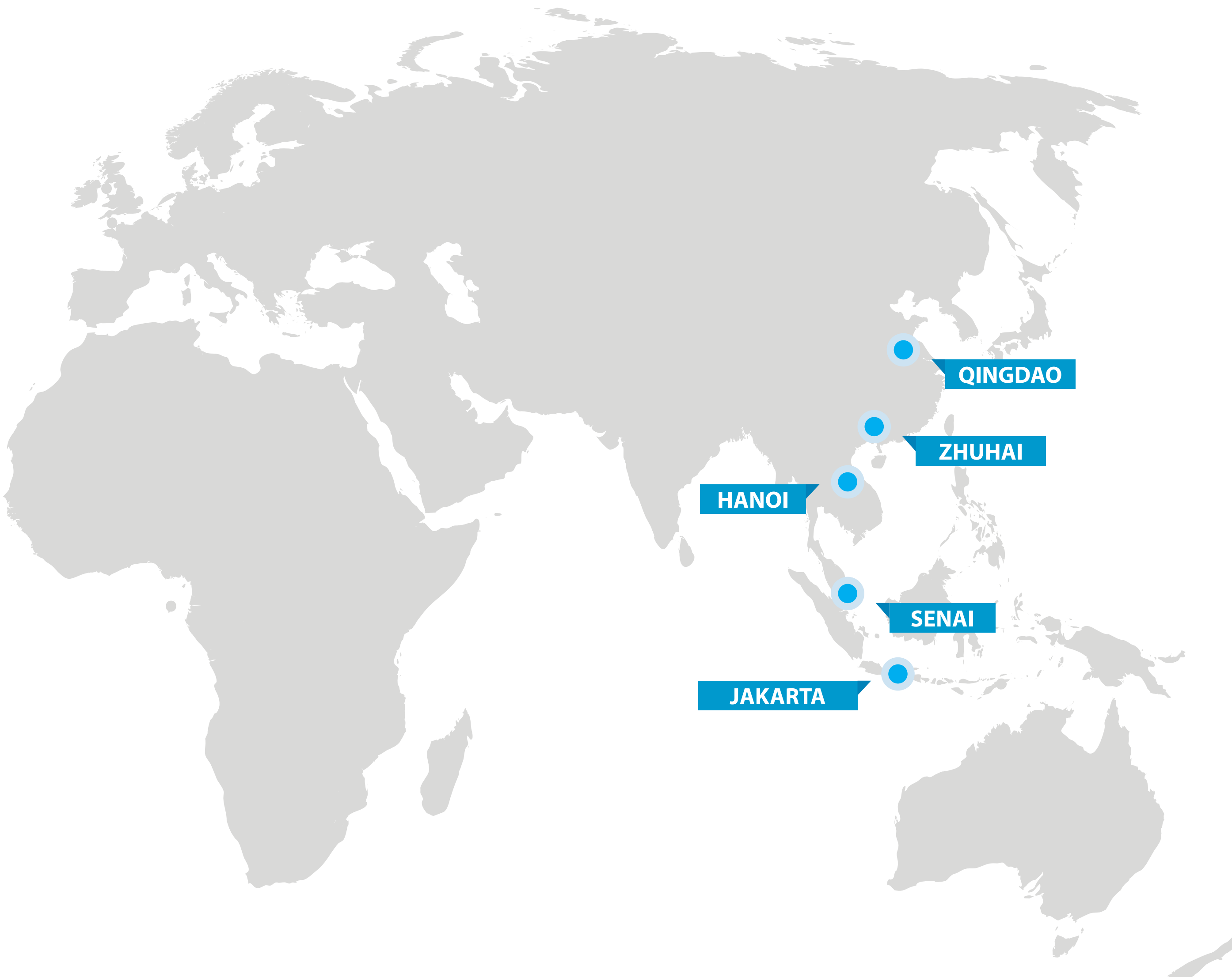
V.S. Industry Berhad (VS) was founded in 1982 and listed on the Main Market of Bursa Malaysia Securities Berhad in 1998. Today VS is a leading integrated Electronics Manufacturing Services (EMS) provider in the region, with proven capabilities to undertake the manufacturing needs of global brand names 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 6 consecutive years from 2007 to 2012.

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.

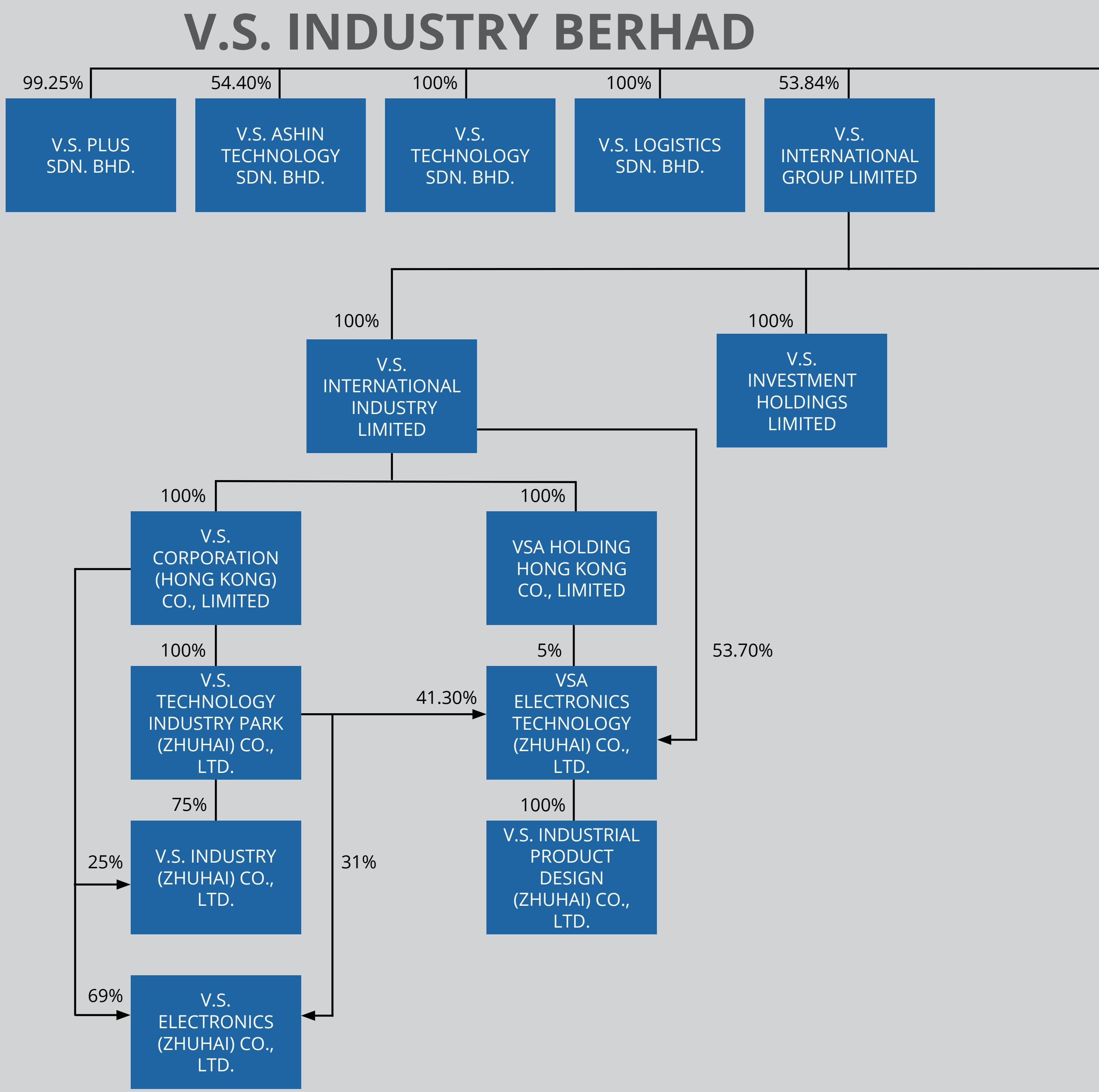
Our extensive manufacturing services include plastic injection mould design and fabrication, a wide range of injection tonnage and finishing processes, large scale production of printed circuit boards, automated assembly and final processes of packaging and logistics.

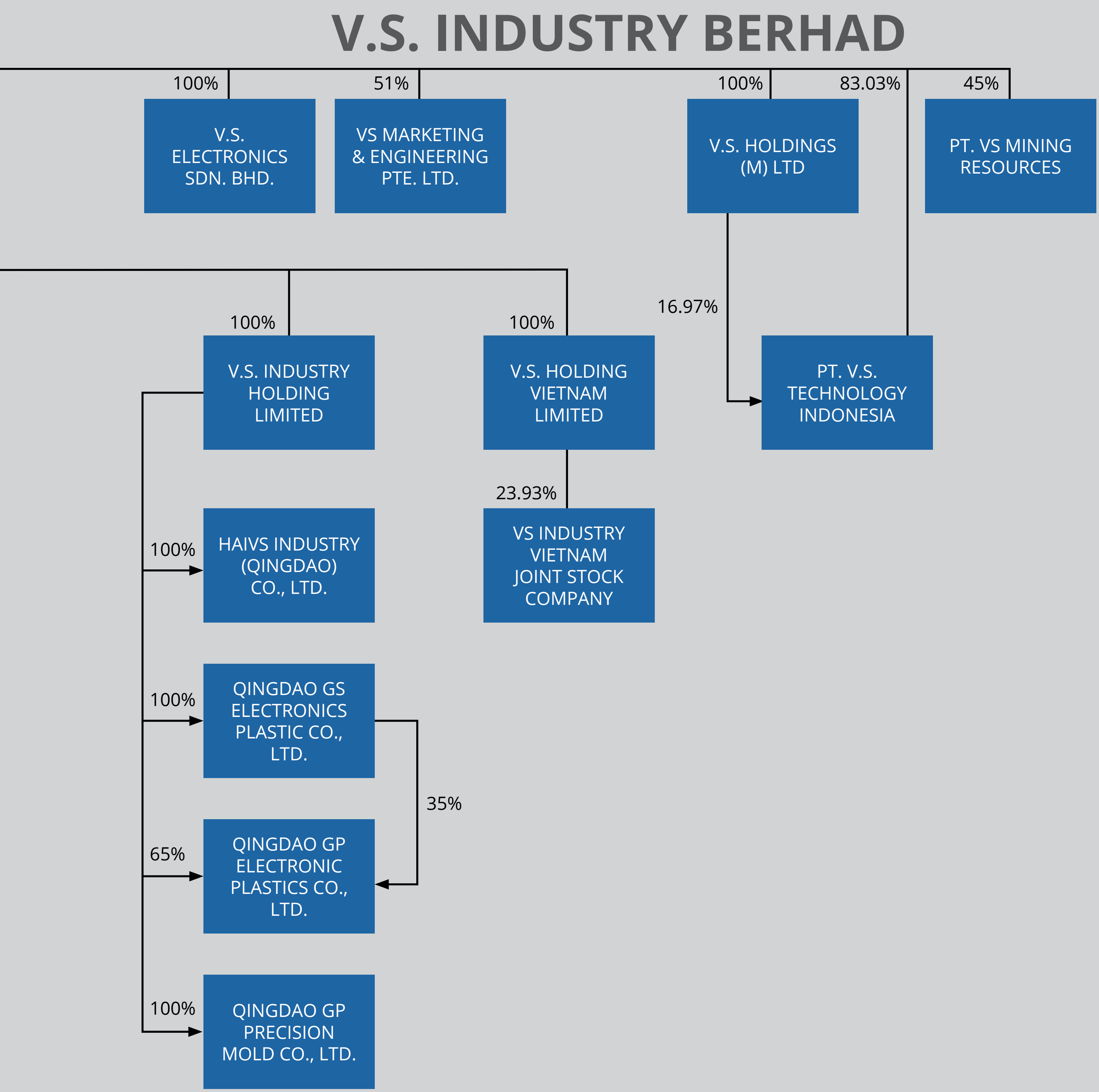
# GEOGRAPHICAL FOOTPRINT




With more than 10 facilities across Asia, the VS Group effectively serves the EMS needs of customers worldwide

# CORPORATE STRUCTURE




V.S. INDUSTRY BERHAD
100%
V.S. ELECTRONICS SDN. BHD.
51%
VS MARKETING & ENGINEERING PTE. LTD.
100%
V.S. HOLDINGS (M) LTD
83.03%
45%
PT. VS MINING RESOURCES
100%
V.S. INDUSTRY HOLDING LIMITED
100%
V.S. HOLDING VIETNAM LIMITED
16.97%
PT. V.S. TECHNOLOGY INDONESIA
23.93%
VS INDUSTRY VIETNAM JOINT STOCK COMPANY
100%
HAIVS INDUSTRY (QINGDAO) CO., LTD.
100%
QINGDAO GS ELECTRONICS PLASTIC CO., LTD.
35%
65%
QINGDAO GP ELECTRONIC PLASTICS CO., LTD.
100%
QINGDAO GP PRECISION MOLD CO., LTD.

# FINANCIAL HIGHLIGHTS

| FINANCIAL SUMMARY<br>For the Financial Year Ended 31 July (RM'000) | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Revenue | 1,163,911 | 1,201,992 | 1,026,818 | 800,170 | 724,836 |
| Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") | 92,027 | 95,275 | 95,712 | 75,992 | 64,957 |
| Earnings before Interest and Tax ("EBIT") | 59,346 | 66,788 | 67,337 | 47,842 | 36,040 |
| Share of Results of Associates | (5,160) | (13,080) | (10,491) | (3,648) | (16,215) |
| Profit before Tax ("PBT") | 49,447 | 48,791 | 51,363 | 38,777 | 13,021 |
| Net Profit after Minority Interest | 43,910 | 37,390 | 27,721 | 24,290 | 5,224 |
| Total Dividends Paid | 9,060 | 27,185 | 16,333 | 11,751 | 2,331 |
| **As At 31 July (RM'000)** | | | | | |
| Shareholders' Funds | 479,646 | 410,491 | 393,609 | 374,587 | 357,816 |
| Share Capital (RM1.00 par) | 182,327 | 182,327 | 182,327 | 179,702 | 179,702 |
| Reserves (Net of Treasury Shares at Cost) | 297,319 | 228,164 | 211,282 | 194,885 | 178,114 |
| Total Assets | 1,404,443 | 850,986 | 772,166 | 754,179 | 711,523 |
| Net Current Assets | 94,561 | 103,724 | 97,036 | 45,937 | (4,314) |
| Total Borrowings | 361,757 | 138,008 | 134,829 | 170,044 | 177,650 |
| Cash and Cash Equivalents | 97,288 | 58,680 | 71,853 | 67,364 | 54,697 |
| **Per Share** | | | | | |
| Basic Earnings per Share (sen) | 24.2 | 20.6 | 15.3 | 13.5 | 2.9 |
| Total Tax-Exempt Dividend per Share (sen) | 5.0 | 15.0 | 9.0 | 6.5 | 1.3 |
| Net Tangible Assets per Share (RM) | 2.6 | 2.3 | 2.2 | 2.1 | 2.0 |
| **Returns (%)** | | | | | |
| Return on Average Shareholders' Equity (%) | 9.9 | 9.3 | 7.2 | 6.6 | 1.5 |
| Return on Average Total Assets (%) | 3.9 | 4.6 | 3.6 | 3.3 | 0.7 |
| **Financial Analysis** | | | | | |
| Gross Margin (%) | 9.1 | 12.2 | 14.4 | 15.2 | 13.6 |
| Operating Margin (%) | 5.1 | 5.6 | 6.6 | 6.0 | 5.0 |
| PBT Margin (%) | 4.2 | 4.1 | 5.0 | 4.8 | 1.8 |
| Net Margin (%) | 3.8 | 3.1 | 2.7 | 3.0 | 0.7 |
| Gearing (Net of Cash) (times) | 0.6 | 0.2 | 0.2 | 0.3 | 0.3 |
| Interest Coverage (times) | 12.5 | 13.6 | 12.3 | 8.8 | 5.3 |
| Dividend Payout Ratio (%) | 67.1* | 72.7 | 58.9 | 48.4 | 44.6 |

* Based on FY2013 core operational profit

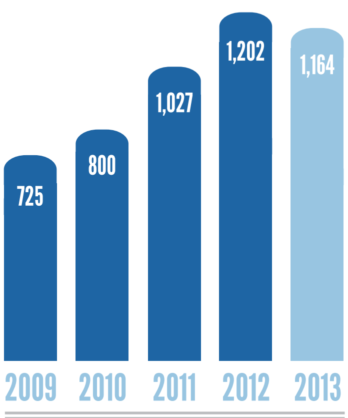
# FINANCIAL HIGHLIGHTS
CONT'D

**13%**
REVENUE CAGR[1]

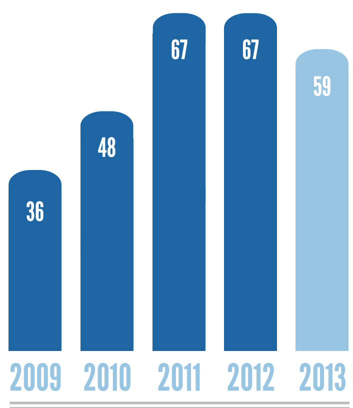
**70%**
NET PROFIT CAGR[1]

**67%**
FY2013 DIVIDEND PAYOUT[2]

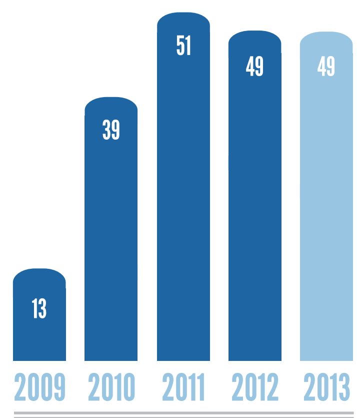
**10%**
RETURN ON SHAREHOLDERS' EQUITY (ROE)



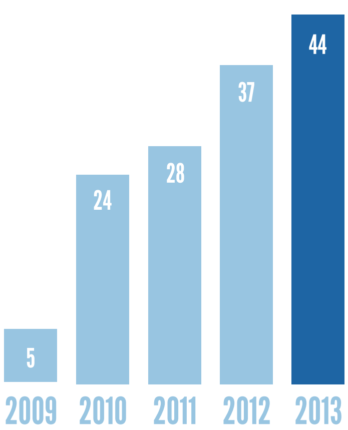
REVENUE (RM' mil)



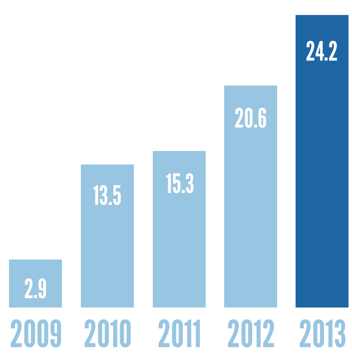
EARNINGS BEFORE INTEREST & TAX (RM' mil)



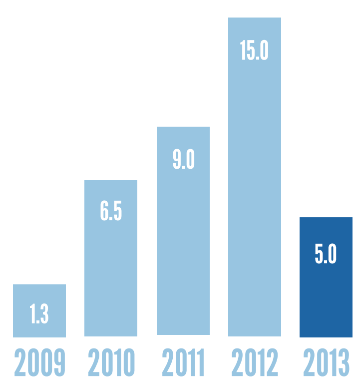
PROFIT BEFORE TAX (RM' mil)



NET PROFIT (RM' mil)



BASIC EARNINGS PER SHARE (SEN)

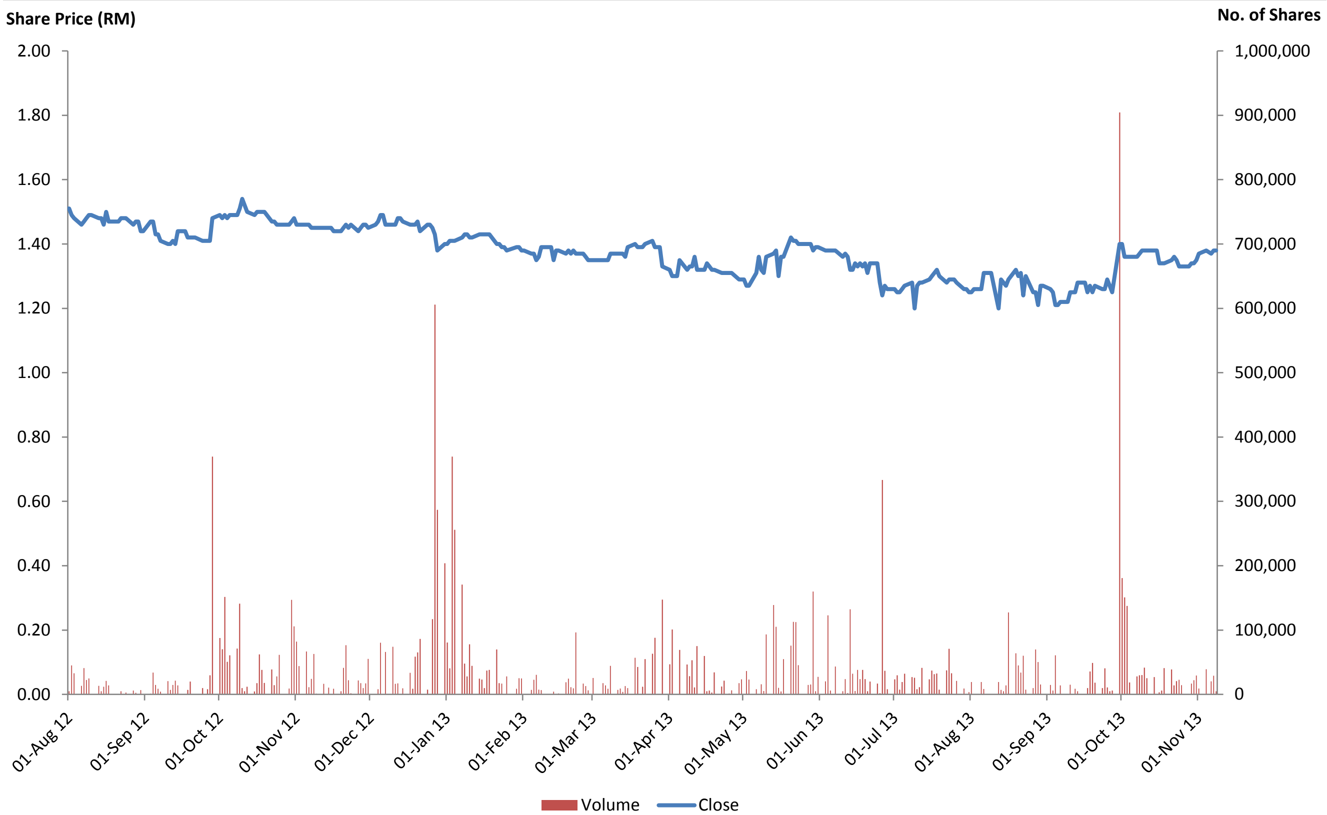


TAX-EXEMPT DIVIDEND PER SHARE (SEN)

[1] Compounded Annual Growth Rate from 2009 to 2013
[2] Based on FY2013 core operational profit

# SHARE PRICE PERFORMANCE

### FROM 1 AUGUST 2012 TO 28 NOVEMBER 2013




| | |
|---|---|
| **Share Price @ Period Close (28 November 2013):** | **1.39** |
| **Market Capitalisation** | **RM253.4mil** |
| **FY13 Price-Earnings (PE) Ratio** | **5.7x** |
| **Price-to-Book Ratio** | **0.5x** |
| **FY13 Dividend Yield** | **3.6%** |

# LETTER TO SHAREHOLDERS

**Dear Shareholders,**

**I am pleased to present, on behalf of the Board of Directors of V.S Industry Berhad (VS or the Group), the Annual Report and audited financial results of the Group and Company for the financial year ended 31 July 2013 (FY2013).**

**The year under review was undoubtedly challenging for the overall industry as global markets felt the adverse impact of economic uncertainty, particularly with the delayed growth in the United States and the prolonged Eurozone debt crisis. Overall, global real gross domestic product (GDP) growth declined to 3.2% in 2013 from 4.0% in the previous year, according to the International Monetary Fund (IMF).**

**Similarly, China - the world's second largest economy - had posted slower growth rates in line with the weaker pace of manufacturing activities, due to the lack of effective demand worldwide.**

**Consequently, these negative predicaments cast a shadow on demand for consumer electronics, therefore dampening the outlook for the international Electronics Manufacturing Services (EMS) sector. This demand constraint was exacerbated by much keener competition among EMS players due to the fast-paced technology evolution in today's environment.**

## FY2013 FINANCIAL PERFORMANCE

Despite the global turbulence in FY2013, VS managed to achieve commendable performance with group revenue sustained at the RM1.2 billion level. The consistent topline by the Group was mainly attributable to higher sales orders for electrical and electronic products from customers at our Malaysian and Indonesian operations.

Of the total revenue, RM1.0 billion or 88% was generated from the Group's Malaysian operations, while RM96.2 million or 8% was derived from the Indonesian operations. Meanwhile, China operations accounted for the balance RM44.7 million or 4% of group revenue, contributed within a short period from 10 July to 31 July 2013.

It must be noted that VS had acquired an additional 17.2% stake in V.S. International Group Limited (VSIG) on 10 July 2013. This resulted in VSIG being a subsidiary of VS, where VSIG's revenue contributions would hereon be consolidated into the Group's topline.

As the acquisition of the additional stake in VSIG was at a price below its book value, the exercise resulted in the Group recording net gain of RM30.4 million in FY2013, effectively from the negative goodwill. This bumped up group net profit by 17.4% to RM43.9 million in FY2013, from RM37.4 million in the previous year. Basic earnings per share (EPS) increased correspondingly to 24.23 sen, from 20.62 sen previously.

The Group's balance sheet remained healthy, with higher cash and cash equivalents of RM97.3 million compared to RM58.7 million in the previous year-end; while shareholder's equity increased to RM479.6 million, from RM410.5 million previously.

With the consolidated balance sheet post-acquisition of VSIG, total borrowings of the enlarged Group increased to RM361.8 million in FY2013, versus RM138.0 million previously. This subsequently resulted in a hike in the Group's net gearing to 0.6 time as at end-July 2013, versus 0.2 time previously.

# LETTER TO SHAREHOLDERS
CONT'D

**DIVIDENDS**

The Board maintained its stance to reward long-term shareholders for their strong support all these years.

In the current year under review, the Board declared a first interim single tier dividend of 2.0 sen per share in respect of FY2013, which was paid on 31 January 2013.

On 27 September 2013, the Board declared a second interim single tier dividend of 3.0 sen per share, which was paid on 30 October 2013.

Altogether, the Group declared total dividends of 5.0 sen per share in respect of FY2013 with dividend payout of RM9.1 million. Based on the Group's core operating profit of RM13.5 million excluding the one-off net gain, the Group distributed 67.1% of net profits as dividends to shareholders which is in tandem with VS' 40% dividend policy.

**FUTURE PROSPECTS**

The global economy in the year ahead is largely expected to remain protracted at best, in the face of multiple challenges.

For one thing, the continued economic uncertainty is anticipated to result in constricted demand for consumer electronics worldwide, which in turn, affects the mid-term order visibility for EMS providers. Furthermore, EMS providers would also have to cope with rapid technology and product innovation, which may require constant investments in capital expenditure and modifications in production processes in order to facilitate quicker go-to-market for customers' products.

Notwithstanding these developments, we intend to step up our efforts in business development and product innovation as a differentiating factor in the global arena.

Therefore, we aim to continuously establish higher-value added manufacturing processes in our operations while keeping our operational and manufacturing costs at an optimised level.

Also, the wider presence of the enlarged Group - situated in three key manufacturing hubs of Malaysia, Indonesia, and China - allows us the tremendous opportunity to widen our customer base across major multinational corporations in these regions.

Most importantly, we will strengthen our core competencies by carrying out extensive research and development (R&D) activities together with key customers, in order to meet the evolving trends in the E&E sector.

**CORPORATE GOVERNANCE**

In promoting and ensuring healthy corporate governance, the Board strongly believes in balancing the interest of the many stakeholders in the company as well as attaining the company's objectives and goals in every sphere of management, corporate disclosure, action plans and performance.

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

**CORPORATE RESPONSIBILITY (CR)**

Being an EMS provider, upholding on our commitment towards CR practices is part and parcel of our initiative to sustain our long-term growth strategies going forward.

That said, we will continue to devote our utmost dedication towards ethical business practices and corporate social responsibility. The Group's Sustainability Policy contained in this Annual Report underlines the basic principles toward implementing our CR initiatives for greater good.

**ACKNOWLEDGEMENTS**

I would like to express my sincerest gratitude to all employees and the management team of VS for having delivered exceptional results during the difficult economic conditions.

Finally, we would also like to extend our appreciation and thanks to our valued shareholders, customers, suppliers, and business associates for their continuous support towards our every endeavour.

**Datuk Beh Kim Ling**
Chairman

# FACE-TO-FACE WITH THE MANAGEMENT

**WHAT WERE THE KEY MILESTONES ACHIEVED IN FY2013?**

First off, we are pleased that VS retained our standing in the list of the world's top EMS providers, ranking a respectable 32nd place amidst top 50 players which include numerous names of international repute.

Much has been said about the economic doldrums that characterised most of FY2013, chiefly brought by the prolonged uncertainty in major global economies. Yet for the most part, we are heartened that VS did commendably by maintaining RM1.2 billion in group revenue in FY2013.

This performance – attained under strenuous circumstances – would not have been possible without VS' necessary capital expenditure investment into additional production capacity in Johor and Indonesia in prior years; which allowed us to support the expanded production requirements from our MNC clientele.

The year under review also saw VS acquiring an additional stake in our China-based operations of VSIG, effectively resulting in VSIG becoming a subsidiary of the Group from July 2013 onwards.

We opined that this was a necessary measure to more effectively pool resources and generate greater operational synergies across the Group's manufacturing facilities in the three countries.

**COULD YOU HIGHLIGHT SOME OF THE MAIN CHALLENGES FACED IN THE YEAR UNDER REVIEW?**

One of the main issues faced by EMS providers such as VS was the dwindling end-user demand for consumer electronics, as end-users delayed purchases in view of the continued economic uncertainty. This led to a more competitive environment in the EMS sector as players sought to retain market share.

On top of that, VS – along with the entire manufacturing industry – was also impacted by higher labour costs in FY2013, primarily due to the enforcement of the minimum wage policy in Malaysia and Indonesia effective January 2013.

With a combined workforce more than 4,700 (as at 31 July 2013) in our manufacturing facilities in these two countries, the implementation of minimum wages had a major bearing on the Group's operating expenditure, which also influenced the Group's competitive position in the region.

In addition, prices of raw materials – especially resin – were under constant pressure, in view of overall increase in crude oil prices towards the second half of FY2013.

With the numerous challenges faced in terms of both internal and external forces, FY2013 was by no means a tough year for VS and the overall EMS sector.

"We are pleased to be the partner of choice for our recently-secured customers, evidenced through successful trial productions and being further entrusted with additional models in the pipeline."

# FACE-TO-FACE WITH THE MANAGEMENT

CONT'D

**ARE YOU UPBEAT ABOUT THE GROUP'S PROSPECTS IN THE YEAR AHEAD?**

In light of the relentless economic crisis plaguing major regions of the Eurozone and the United States, coupled with the possible continuation of the slowdown in China, the IMF anticipates for the global economy to remain in the doldrums in the near future. Its latest report expects an expansion of only 2.9% in 2013, before rising again to 3.6% in 2014.

Not surprisingly, the future performance of the EMS sector is expected to take its cue from the dismal global outlook, with end-user demand seeing limited upside opportunities.

It would be folly to think that the year ahead will be rosy, with the odds stacked against us. At present, VS is witnessing key shifts in customer strategies with regard to production requirements and specifications, which may dampen the outlook in the near future.

Nonetheless, just as we have endured the economic cycles over the past three decades, the management of VS remains steadfast in our commitment to help the Group weather the storm ahead of us.

In line with this, the Group fully intends to continuously expand our customer base, by seeking to grow our clientele in terms of quantity and quality.

To this end, we are pleased to be the partner of choice for our recently-secured customers, evidenced through successful trial productions which led to full-scale commercial production in FY2013, and being further entrusted with additional models in the pipeline. Clearly, we are proud to play a facilitating role in our customers' business expansion plans.

Furthermore, we will carry on with our constant engagement with key customers to develop innovative product designs and/or features to bring to the market. In doing so, we would effectively raise our profile from being a full-scale manufacturer to include innovative design capability; thus distinguishing VS from the mass EMS providers worldwide. We have witnessed steady progress in this aspect thus far, and hope to bring it to the next level in the near future.

We believe that these strategies will be pivotal to VS' pledge to strengthening our core competencies, so as to sustain the Group's performance in the coming years. We thank you in advance for your unwavering support and belief in the Group.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty First Annual General Meeting ("31st 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 Thursday, 2 January 2014 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 2013 together with the Directors' and Auditors' reports thereon. **(Please refer to Note No. 1)**

2. To approve the payment of Directors' fees totalling RM412,000 for the financial year ended 31 July 2013. **RESOLUTION 1**

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

   (a) Datuk Beh Kim Ling - Article 93 **RESOLUTION 2**

   (b) Mr Tang Sim Cheow - Article 93 **RESOLUTION 3**

   (c) Mr Ng Yong Kang - Article 93 **RESOLUTION 4**

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

**SPECIAL BUSINESS**

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

5. **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 6**

6. **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 RM1.00 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 7**

7. **ORDINARY RESOLUTION**

**Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang ("Proposed Renewal of Shareholders' Mandate for RRPTs with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang")**

"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 Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 10 December 2013, 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 Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang 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 8**

8. **ORDINARY RESOLUTION**

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with V.S. International Group Limited, its subsidiaries and associates as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 10 December 2013, 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 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 10 December 2013, 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 10**

10. **ORDINARY RESOLUTION**

**Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Inabata & Co., Ltd and its subsidiaries ("Proposed Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries")**

"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 Inabata & Co., Ltd and its subsidiaries as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 10 December 2013, 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 Inabata & Co., Ltd and its subsidiaries during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries 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 New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with VS Marketing & Engineering Pte. Ltd. ("Proposed New Shareholders' Mandate for RRPTs with VS Marketing & Engineering 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 VS Marketing & Engineering Pte. Ltd. as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 10 December 2013, subject to the following:

(i) the RRPTs are:

(a) necessary for the day-to-day operations;

(b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and

(c) are not detrimental to the shareholders of the Company; and

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

(iii) the Proposed New Shareholders' Mandate for RRPTs with VS Marketing & Engineering 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**

12. **ORDINARY RESOLUTION**

    **Retention of Independent Director**

    "That Dato' 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 31st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 23 December 2013. Only a depositor whose name appears on the Record of Depositors as at 23 December 2013 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

**CHANG TIAN KWANG**
**ANG MUI KIOW**
Secretaries

Johor Bahru
10 December 2013

**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. Statement Accompanying the Notice of Annual General Meeting**

Details of Directors standing for re-election at the 31st AGM are stated in the Statement Accompanying the Notice of Thirty First Annual General Meeting set out on page 22 of the 2013 Annual Report.

**4. Explanatory Notes on Special Business**

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

The proposed Resolution No. 6, 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. 6 above is a renewal of an existing mandate. There was no issuance of shares and thus no proceed being raised since the last renewal was sought.

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

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

The proposed Resolution No. 7, 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 10 December 2013 accompanying the Company's 2013 Annual Report.

# NOTICE OF ANNUAL GENERAL MEETING
CONT'D

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

The proposed Resolutions No. 8 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 10 December 2013. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information on the Proposed New Shareholders' Mandate and Renewal of Shareholders' Mandate for RRPTs, please refer to the Circular to Shareholders dated 10 December 2013 which was circulated together with the 2013 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) **Dato' Sri Mohd Nadzmi Bin Mohd Salleh**

Dato' 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 31st AGM, he has served the Company for 17 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 31st AGM, he has served the Company for 12 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 31st AGM, he has served the Company for 9 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.

# STATEMENT ACCOMPANYING NOTICE OF THIRTY FIRST 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 Beh Kim Ling | - Article 93 | **RESOLUTION 2** |
| (b) | Mr Tang Sim Cheow | - Article 93 | **RESOLUTION 3** |
| (c) | Mr Ng Yong Kang | - Article 93 | **RESOLUTION 4** |

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 23 to page 25 and page 136 of the Annual Report respectively.

# DIRECTORS' PROFILE

**Datuk Beh Kim Ling**
**Executive Chairman**

Datuk Beh Kim Ling, aged 55, 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 Gan Tiong Sia. Datuk Beh has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

**Datuk Gan Sem Yam**
**Managing Director**

Datuk Gan Sem Yam, aged 57, 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 Gan Tiong Sia and brother-in-law to Datuk Beh Kim Ling. Datuk Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

# DIRECTORS' PROFILE
CONT'D

**Dato' Sri Mohd Nadzmi bin Mohd Salleh**
**Senior Independent Non-Executive Director**

Dato' Sri Nadzmi, aged 59, 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.

Dato' Sri 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 development of his privately-owned businesses. 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., Nadi Corp Holdings Sdn. Bhd. and Trisilco Folec Sdn. Bhd. He is also Chairman of J.T. International Berhad and Chairman/Managing Director of Konsortium Transnasional Berhad, and Transocean Holdings Berhad. Dato' Sri 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. Dato' Sri 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 59, 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 wife of Datuk Beh Kim Ling and sister to Datuk Gan Sem Yam and Gan Tiong Sia. Datin Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. She has not been convicted of any offences within the past ten (10) years.

**Gan Tiong Sia**
**Executive Director**

Gan Tiong Sia, aged 53, 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. Mr. Gan is the brother to Datin Gan Chu Cheng and Datuk Gan Sem Yam and brother-in-law to Datuk Beh Kim Ling. Mr. Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

**Ng Yong Kang**
**Executive Director**

Ng Yong Kang, aged 52, a Malaysian, joined the Board on 1 August 2005.

He comes with extensive engineering and operation 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.

**Pan Swee Keat**
**Independent Non-Executive Director**

Pan Swee Keat, aged 50, 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 54, 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.

**Chang Tian Kwang**
**Alternate Director to Datin Gan Chu Cheng**

Chang Tian Kwang, aged 48, a Malaysian, was appointed to the Board on 1 November 2000.

Mr. Chang graduated from University of Malaya with a Bachelor of Accountancy (Honours) Degree in 1990. He is a Chartered Accountant registered with the Malaysian Institute of Accountants and has a Master in Business Administration from the Preston University, USA in February 2008.

He started his career in 1990 with Deloitte KassimChan followed by KPMG from 1991 to 1994. He joined the Group as an Accountant in 1994 and is currently the Group Financial Controller.

Mr. Chang also sits on the board of several subsidiary companies of the Company. He does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors support high standards of corporate governance and is committed to ensuring that good corporate governance are being practiced throughout the Group as a fundamental part of discharging its responsibilities to enhance shareholders' value and financial performance of the Group.

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

## A. PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILIITIES

The Board is fully responsible for the overall performance of 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 has formally adopted a Board Charter in November 2013 that 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 assumes, amongst others, the following roles and responsibilities:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group's business;
- Identifying principal risks and ensuring the implementation of a proper risk management system to manage such risks;
- Overseeing the development and implementation of shareholder communications policy;
- Reviewing the adequacy and the integrity of the management information and internal controls systems of the Group

There is also 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 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 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 35 of the Annual Report.

**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 three (3) Board Committees, namely Audit Committee, Nomination Committee and Remuneration 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.

**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 2013 are as follows:

| | Executive Directors | Non-Executive Directors | Total |
|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** |
| Basic Salary | 7,016 | - | 7,016 |
| Bonus | 1,703 | - | 1,703 |
| Performance Incentive (inclusive EPF) | 1,750 | - | 1,750 |
| Allowance | 662 | - | 662 |
| EPF | 948 | - | 948 |
| Socso | 3 | - | 3 |
| Benefits-in-kind | 132 | - | 132 |
| Fees | 120 | 305 | 425 |
| | **12,334** | **305** | **12,639** |

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 | - | 2 |
| RM 100,001 to RM 150,000 | - | 1 |
| RM1,150,001 to RM1,200,000 | 1 | - |
| RM1,350,001 to RM1,400,000 | 1 | - |
| RM2,000,001 to RM2,050,000 | 1 | - |
| RM2,300,001 to RM2,350,000 | 1 | - |
| RM2,400,001 to RM2,450,000 | 1 | - |
| RM3,000,001 to RM3,050,000 | 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 Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") 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.

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 2013, 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 all the Independent Non-Executive Directors remain objective and independent.

The tenure of an Independent Director should not exceed a cumulative term of nine years as recommended by the Code. All the Independent Directors who have served the Board for more than nine (9) years, have been recommended by the Board to be retained as Independent 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.

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.

During the financial year ended 31 July 2013, the Board held four (4) meetings where it deliberated upon a variety of issues including the Group's financial results and operational issues. 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 |
| Gan Tiong Sia | 4/4 |
| Ng Yong Kang | 4/4 |
| Dato' Sri Mohd Nadzmi bin Mohd Salleh | 2/4 |
| 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.

All Directors have completed the Mandatory Accreditation Programme as required by 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.

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

| Name of Director | Topic of seminar/briefing |
|---|---|
| Datuk Beh Kim Ling | Disclosure obligations of listed companies in relation to inside information and information necessary to avoid a false market |
| Datuk Gan Sem Yam | Disclosure obligations of listed companies in relation to inside information and information necessary to avoid a false market |
| Datin Gan Chu Cheng | Disclosure obligations of listed companies in relation to inside information and information necessary to avoid a false market |
| Gan Tiong Sia | Advocacy Sessions On Corporate Disclosure for Directors |
| Ng Yong Kang | Corporate Life Cycle of a Business and Can a CEO be a peer advisor |
| Dato' Sri Mohd Nadzmi Bin Mohd Salleh | Business Sustainability |
| Tang Sim Cheow | • 2013 Budget Seminar-Highlights and Implications<br>• The Audit Committee's Oversight Role on Financial Reporting<br>• Tax Planning and Issues for Property Developers and Property Investors |
| Pan Swee Keat | Latest Development in Malaysian Financial Reporting Standards (MFRS)/IFRS and IC - An Overview |

| Name of Director | Topic of seminar/briefing |
|---|---|
| Chang Tian Kwang | • KPMG Malaysian Tax Summit 2012<br>• Global Economic Updates<br>• Economic and Market Update<br>• Economic Update<br>• MFRS Update 2012/2013<br>• Global Markets in a Low Interest Rate Environment<br>• Advocacy Sessions on Corporate Disclosure for Directors<br>• Economic Seminar 2013 |

## 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. The Audit Committee members have met and discussed with the external auditors twice during the financial year ended 31 July 2013. 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. There is no significant non-audit services provided by the external auditors except for non-audit fee of RM9,000 payable in respect of review of Statement on Risk Management and Internal Control and Statement of Realized and Unrealized Profits.

## 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 39 to 40 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.

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 Dato' 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 30 to the financial statements, there are no other material contracts entered into by the Group involving Directors' or major shareholders' interest, either subsisting at the end of the financial year ended 31 July 2013 or entered into since the end of the previous financial year.

### (ii) Non-Audit Fees

During the financial year ended 31 July 2013, 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 2013 are as follows:

| Month | No. of shares repurchased | Lowest price paid (RM) | Highest price paid (RM) | Average price paid (RM) | Total consideration (RM) |
|---|---|---|---|---|---|
| September 2012 | 10,000 | 1.52 | 1.52 | 1.52 | 15,312 |
| March 2013 | 5,000 | 1.39 | 1.39 | 1.39 | 7,001 |
| Total | 15,000 | | | | 22,313 |

At the end of the financial year, a total of 1,119,336 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) Employees' Share Option Scheme

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

| | Number of options over ordinary shares of RM1.00 each ('000) | | |
|---|---|---|---|
| | Directors | Employees | Total |
| Total options granted | 4,500 | 21,678 | 26,178 |
| Total options exercised/lapsed | (880) | (6,395) | (7,275) |
| Total options outstanding | 3,620 | 15,283 | 18,903 |

Pursuant to the Company's ESOS By-laws, not more than 50% of the options available under the scheme shall be allotted, in aggregate, to Directors and senior management. Since the commencement of the scheme, 24.45% of the options granted under the scheme have been granted to Directors and senior management.

No options were granted or exercised during the financial year.

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

At the Annual General Meeting held on 3 January 2013, the Company obtained shareholders' mandate allowing the Group to enter into recurrent related party transactions of a revenue or trading nature as disclosed in the Circular to Shareholders dated 29 November 2012.

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 2013 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 Datuk Gan Sem Yam | Datuk Gan Sem Yam | Rental of one (1) unit of condominium to VSI as hostel | 31 |
| VSI and Beh Chu Hiok | Datuk Beh Kim Ling<br>Datin Gan Chu Cheng<br>Datuk Gan Sem Yam<br>Gan Tiong Sia | Rental of one (1) unit of single storey terrace house to VSI as hostel | 5 |
| VSI and Gan Siew Tang | Datuk Beh Kim Ling<br>Datin Gan Chu Cheng<br>Datuk Gan Sem Yam<br>Gan Tiong Sia | Rental of one (1) unit of single storey terrace house to VSI as hostel | 7 |
| VSI Group and VSIG Group | Datuk Beh Kim Ling<br>Datin Gan Chu Cheng<br>Datuk Gan Sem Yam<br>Gan Tiong Sia | Purchases of tooling, bins, resins, plastic component parts and equipments | 2,382 |
| VSI Group and Lip Sheng International Ltd / Lip Sheng Precision (Zhuhai) Co., Ltd | Datuk Beh Kim Ling<br>Datin Gan Chu Cheng<br>Datuk Gan Sem Yam<br>Gan Tiong Sia | Purchases of tooling, sales related to tooling fabrication<br><br>Sales commission income | 1,777<br><br>1,417 |
| VSI Group and Firstclass Returns Sdn Bhd | Datuk Beh Kim Ling<br>Datuk Gan Sem Yam | Rental of factory premises | 233 |
| VSI Group and Inabata Group | Inabata & Co., Ltd | Purchases of resins and equipments | 4,719 |

*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* |

# 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 6 consecutive years from 2007 to 2012.
- 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)* |
| | – Dato' Sri Mohd Nadzmi bin Mohd Salleh *(Senior Independent Non-Executive Director)* |

## Meetings

During the financial year ended 31 July 2013, the Committee convened four (4) meetings. 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.

Details of attendance are listed below:

| Name of members | Attendance |
|---|---|
| Tang Sim Cheow | 4/4 |
| Pan Swee Keat | 4/4 |
| Dato' Sri Mohd Nadzmi bin Mohd Salleh | 2/4 |

## 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 2013.
iii. Reviewed with the external auditors the results of the audit, the audit report and the management letter.
iv. Reviewed the internal audit planning and internal audit reports.
v. 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 RM606,000.

Further details of the activities of the internal audit department are set out in the Statement on Risk Management and Internal Control on page 39 to 40 of the Annual Report.

**Terms of reference**

**1. Objectives**

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and the Group.

In addition, the Audit Committee shall:

a) Oversee and appraise the quality of the audits conducted both by the Group's internal and external auditors;
b) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
c) Determine the adequacy of the Group's operating and accounting controls.

**2. Composition**

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfills the following requirements:

a) The Audit Committee must be composed of no fewer than 3 members;
b) All the Audit Committee members must be Non-Executive Directors with a majority of them must be independent directors; and
c) At least one member of the Audit Committee:
    i. must be a member of the Malaysian Institute of Accountants; or
    ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
        • he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
        • he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
    iii. fulfills such other requirements as prescribed or approved by the Exchange.

The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of item 2(a) to (c) above, the vacancy must be filled within 3 months of that event.

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

**3. Functions**

The functions of the Audit Committee are as follows:

a) To review the following and report the same to the Board of Directors:
    i) with the external auditors, the audit plan;
    ii) with the external auditors, his evaluation of the system of internal controls;
    iii) with the external auditors, his audit report;
    iv) the assistance given by the Company's employees to the external auditors; and
    v) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

b) To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
c) To discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
d) To review the quarterly results and year-end financial statements of the Company and its subsidiary(s), focusing particularly on:
    - any changes in accounting policies and practices;
    - significant adjustments arising from the audit;
    - the going concern assumption;
    - compliance with accounting standards and other legal requirements.
d) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
e) To review the external auditors' management letter and management's response;
f) To do the following:
    - review the adequacy of the scope, competency, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
    - review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
    - review any appraisal or assessment of the performance of members of the internal audit function;
    - approve any appointments or termination of senior staff of the internal audit function;
    - inform itself of resignations of internal audit staff and provide the resigning staff an opportunity to submit his reasons for resigning.
g) To consider the major findings of internal investigations and management's response; and
i) To consider other areas as defined by the Board.

**4. Rights of the Audit Committee**

The Audit Committee shall, wherever necessary and reasonable for the Company to perform its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

a) Have authority to investigate any matter within its terms of reference;
b) Have the resources which are required to perform its duties;
c) Have full and unrestricted access to any information pertaining to the Company;
d) Have direct communication channels with the internal and external auditors and person(s) carrying out the internal audit function or activity;
e) Be able to obtain independent professional or other advice and to invite outsiders with relevant experience to attend the meeting, if necessary; and
f) Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

**5. Meetings**

The Audit Committee shall meet at least 4 times a year and any additional meetings as the Chairman shall decide in order to fulfill its duties. However, at least twice a year, the Audit Committee shall meet with the external auditors without executive Board members present.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or other appropriate senior officer shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.

A quorum shall consist of a majority of independent directors.

By invitation of the Audit Committee, the Company must ensure that the other directors and employees attend any particular committee meeting specific to the relevant meeting.

# 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 its responsibility for maintaining an effective and sound system of internal control throughout the Group and for reviewing its adequacy and integrity in order to safeguard the Group's assets and shareholders' investment.

The review of the effectiveness of the system of internal control is a continuous process designed to monitor and mitigate the effects rather than to eliminate risks of failure to achieve business objectives due to the inherent limitations in any system of internal control. Therefore, the system can only provide a reasonable and not absolute degree of assurance that assets are safeguarded against material misstatement, fraud or losses.

## RISK MANAGEMENT FRAMEWORK

The Board confirms that there is an on-going process of identifying; assessing and responding to risks to achieve the organization's objectives of the Group for the financial year under review, and the Board reviews the process annually.

As part of the Risk Management framework, a Risk Management Committee ("RMC") is in place to identify risks and to ensure that adequate control system are implemented to mitigate significant risks faced by the Group excluding associates and a newly acquired subsidiary near the end of the financial year.

The on-going risk management process is coordinated by Internal Audit Department in conjunction with the key management staff in each operating unit.

## INTERNAL AUDIT DEPARTMENT

The Internal Audit Department reviews the internal controls of the Group operations and activities based on the annual internal audit plan approved by the Audit Committee. Reviews on the procedures and control processes implemented by management are reported to the Audit Committee on a quarterly basis.

The principal responsibility of the Internal Audit Department is to undertake reviews of the systems of internal control so as to provide reasonable assurance that such system operates satisfactorily and effectively in the Company and the Group.

The internal control of the newly acquired subsidiary was not reviewed by the internal audit department within the financial year taking into consideration that the acquisition took place near the end of the financial year.

The scope of the internal audit encompasses the following:

- Update of the mapping of the current state of procedures and processes;
- Identifying potential areas that lack control and efficiency from the process maps;
- Testing identified risk areas;
- Evaluating other areas and matters pertinent to the company for compliance;
- Holding meetings with management to agree on audit findings;
- Reporting of irregularities to management and Audit Committee and provide recommendations in managing risks identified; and
- Establishing a feedback mechanism for all staff to provide feedback in managing risks

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

**OTHER RISKS AND CONTROL PROCESSES**

The Managing Director reports to the Board on significant changes in business and external environment that affects significant risks. The Financial Controller provides the Board with quarterly financial reports which includes key financial information of major subsidiaries.

The Board continues to take measures to strengthen the control environment and during the current financial year, there were no material losses reported caused by weaknesses in the Group's systems of internal control.

**ASSURANCE FROM MANAGEMENT**

The Board has received assurance from the Group Managing Director and Finance Director 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

For the year ended 31 July 2013

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 2013.

## 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 (including the subsidiary acquired during the year) are disclosed in Note 6 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 | 43,910 | 5,750 |
| Non-controlling interests | (3,943) | -- |
| | 39,967 | 5,750 |

## 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 financial statements.

## DIVIDENDS

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

i) paid a fourth interim single tier dividend of 6 sen per ordinary share of RM1.00 each totalling RM10,872,742 in respect of the year ended 31 July 2012 on 25 October 2012;

ii) paid a first interim single tier dividend of 2 sen per ordinary share of RM1.00 each totalling RM3,624,247 in respect of the year ended 31 July 2013 on 31 January 2013; and

iii) declared a second interim single tier dividend of 3 sen per ordinary share of RM1.00 each totalling RM5,436,071 in respect of the year ended 31 July 2013 on 27 September 2013. This dividend was paid on 30 October 2013.

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

## DIRECTORS OF THE COMPANY

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

| Directors | Alternate |
|---|---|
| Datuk Beh Kim Ling | |
| Datin Gan Chu Cheng | Mr. Chang Tian Kwang |
| Datuk Gan Sem Yam | |
| Mr. Gan Tiong Sia | |
| Dato' Sri Mohd Nadzmi bin Mohd Salleh | |
| Mr. Pan Swee Keat | |
| Mr. Tang Sim Cheow | |
| Mr. Ng Yong Kang | |

## DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

| | | Number of ordinary shares ('000) | | | |
|---|---|---|---|---|---|
| **Name of Directors** | **Interest** | **At 1 August 2012** | **Bought** | **Sold** | **At 31 July 2013** |
| **Company** | | | | | |
| ***Ordinary shares of RM1.00 each*** | | | | | |
| Datuk Beh Kim Ling | Direct | 31,606 | -- | -- | 31,606 |
| | Deemed | 24,529 | 1,467 | -- | 25,996 |
| Datin Gan Chu Cheng | Direct | 24,380 | -- | -- | 24,380 |
| | Deemed | 31,755 | 1,467 | -- | 33,222 |
| Datuk Gan Sem Yam | Direct | 13,054 | 3,225 | -- | 16,279 |
| | Deemed | 525 | -- | -- | 525 |
| Mr. Gan Tiong Sia | Direct | 4,890 | -- | -- | 4,890 |
| | Deemed | 21 | -- | -- | 21 |
| Mr. Ng Yong Kang | Direct | 167 | -- | -- | 167 |
| Mr. Pan Swee Keat | Direct | 20 | -- | -- | 20 |
| Mr. Tang Sim Cheow | Direct | 20 | -- | (20) | -- |
| Mr. Chang Tian Kwang | Direct | 140 | -- | (140) | -- |
| **Subsidiaries** | | | | | |
| - ***VVS Co., Ltd.*** ***Ordinary shares of HKD1.00 each*** | | | | | |
| Datuk Beh Kim Ling | Direct | 3 | -- | (3) | -- |
| | Deemed | 90 | -- | (90) | -- |
| Datin Gan Chu Cheng | Direct | 3 | -- | (3) | -- |
| | Deemed | 90 | -- | (90) | -- |
| Datuk Gan Sem Yam | Direct | 3 | -- | (3) | -- |
| Mr. Gan Tiong Sia | Direct | 3 | -- | (3) | -- |

| Name of Directors | Interest | At 1 August 2012 | Bought/ ESOS exercised | Sold | At 31 July 2013 |
|---|---|---|---|---|---|
| | | Number of ordinary shares ('000) | | | |
| **Subsidiaries** | | | | | |
| ***- V.S. Ashin Technology Sdn. Bhd. Ordinary shares of RM1.00 each*** | | | | | |
| Datuk Beh Kim Ling | Deemed | 4,480 | -- | -- | 4,480 |
| Datin Gan Chu Cheng | Direct | 672 | -- | -- | 672 |
| | Deemed | 3,808 | -- | -- | 3,808 |
| Datuk Gan Sem Yam | Direct | 747 | -- | -- | 747 |
| ***- V.S. Plus Sdn. Bhd. Ordinary shares of RM1.00 each*** | | | | | |
| Datuk Beh Kim Ling | Deemed | 49,625 | -- | -- | 49,625 |
| Datin Gan Chu Cheng | Deemed | 49,625 | -- | -- | 49,625 |
| ***- VS Marketing & Engineering Pte. Ltd. Ordinary shares*** | | | | | |
| Datuk Beh Kim Ling | Deemed | 102 | 459 | -- | 561 |
| Datin Gan Chu Cheng | Deemed | 102 | 459 | -- | 561 |
| Datuk Gan Sem Yam | Deemed | -- | 264 | -- | 264 |
| Mr. Gan Tiong Sia | Deemed | -- | 110 | -- | 110 |
| ***- V.S. International Group Limited Ordinary shares of HKD0.05 each*** | | | | | |
| Datuk Beh Kim Ling | Direct | 52,268 | 9,161 | -- | 61,429 |
| | Deemed | 566,944 | 234,051 | -- | 800,995 |
| Datin Gan Chu Cheng | Direct | 69,228 | 9,161 | -- | 78,389 |
| | Deemed | 549,984 | 234,051 | -- | 784,035 |
| Datuk Gan Sem Yam | Direct | 23,530 | 9,161 | -- | 32,691 |
| Mr. Gan Tiong Sia | Direct | 29,638 | 4,474 | -- | 34,112 |
| Mr. Tang Sim Cheow | Direct | -- | 639 | -- | 639 |

| | | At 1 August 2012 | Granted | Exercised | At 31 July 2013 |
|---|---|---|---|---|---|
| | | Number of warrants ('000) | | | |
| ***- V.S. International Group Limited*** | | | | | |
| Datuk Beh Kim Ling | Direct | 6,533 | -- | -- | 6,533 |
| | Deemed | 81,973 | 14,622 | -- | 96,595 |
| Datin Gan Chu Cheng | Direct | 19,113 | -- | -- | 19,113 |
| | Deemed | 69,393 | 14,622 | -- | 84,015 |
| Datuk Gan Sem Yam | Direct | 3,046 | -- | -- | 3,046 |
| Mr. Gan Tiong Sia | Direct | 2,103 | -- | -- | 2,103 |

| Name of Directors | Interest | Number of ordinary shares<br>At 1 August 2012 | Bought | Sold | At 31 July 2013 |
|---|---|---|---|---|---|
| **Subsidiaries** | | | | | |
| ***- V.S. Corporation (Hong Kong) Co., Limited Non-voting deferred share of HKD1.00 each*** | | | | | |
| Datuk Beh Kim Ling | Direct | 3,750,000 | -- | -- | 3,750,000 |
| | Deemed | 3,750,000 | -- | -- | 3,750,000 |
| Datin Gan Chu Cheng | Direct | 3,750,000 | -- | -- | 3,750,000 |
| | Deemed | 3,750,000 | -- | -- | 3,750,000 |
| Datuk Gan Sem Yam | Direct | 3,750,000 | -- | -- | 3,750,000 |
| Mr. Gan Tiong Sia | Direct | 3,750,000 | -- | -- | 3,750,000 |
| ***- 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 the Company of RM1.00 each<br>At 1 August 2012 | Granted and accepted | Exercised | At 31 July 2013 |
|---|---|---|---|---|
| Datuk Beh Kim Ling | 560 | -- | -- | 560 |
| Datin Gan Chu Cheng | 560 | -- | -- | 560 |
| Datuk Gan Sem Yam | 560 | -- | -- | 560 |
| Mr. Gan Tiong Sia | 560 | -- | -- | 560 |
| Dato' Sri Mohd Nadzmi bin Mohd Salleh | 100 | -- | -- | 100 |
| Mr. Pan Swee Keat | 80 | -- | -- | 80 |
| Mr. Tang Sim Cheow | 80 | -- | -- | 80 |
| Mr. Ng Yong Kang | 560 | -- | -- | 560 |
| Mr. Chang Tian Kwang | 560 | -- | -- | 560 |

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 6 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 30 to the financial statements.

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

## ISSUE OF SHARES

At the Annual General Meeting held on 3 January 2013, 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 15,000 of its issued ordinary shares. The average repurchase price was RM1.49. 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.

At an Extraordinary General Meeting held on 19 November 2010, the Company's shareholders approved the establishment of an Employees' Share Option Scheme (ESOS) of not more than 15% of the issued and paid-up ordinary share capital of the Company to eligible Directors and employees of the Group.

The salient features of the ESOS are as follows:

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

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

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

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

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

d) The subscription price for each ordinary share shall be the weighted average market price of the shares of the Company as shown in the Daily Official List issued by Bursa 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.

**OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)**

f) The options granted may be exercised at any time within the period of five (5) years commencing from 19 November 2010, 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:

| | | Number of options over ordinary shares of RM1.00 each ('000) | | | | |
|---|---|---|---|---|---|---|
| **Date of offer** | **Exercise price** | **At 1 August 2012** | **Granted** | **Exercised** | **Forfeited** | **At 31 July 2013** |
| 19 November 2010 | RM1.54 | 19,631 | - | - | (728) | 18,903 |

**OTHER STATUTORY INFORMATION**

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

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

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

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

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

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

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

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

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

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

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

### OTHER STATUTORY INFORMATION (CONT'D)

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

In the opinion of the Directors, except for the effects of acquisition of a subsidiary as disclosed in Note 23 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 July 2013 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**

**Gan Tiong Sia**

Johor Bahru

25 November 2013

# 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 52 to 130 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 at 31 July 2013 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 32 on page 131 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**

**Gan Tiong Sia**

Johor Bahru

25 November 2013

# 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 52 to 131 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 25 November 2013.

**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 2013 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 52 to 130.

*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 2013 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 6 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.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D)**

(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.

**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 32 on page 131 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**

As stated in Note 1(a) to the financial statements, the Company adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 August 2012 with a transition date of 1 August 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 July 2012 and 1 August 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 July 2012 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 July 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 August 2012 do not contain misstatements that materially affect the financial position as of 31 July 2013 and financial performance and cash flows for the year then ended.

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: 2986/05/14 (J)
Chartered Accountant

Johor Bahru

25 November 2013

# STATEMENTS OF FINANCIAL POSITION

As at 31 July 2013

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| **Assets** | | | | | | | |
| Property, plant and equipment | 3 | 615,166 | 273,438 | 263,434 | 108,722 | 101,798 | 103,999 |
| Prepaid lease payments | 4 | 89,012 | 547 | 571 | -- | -- | -- |
| Investment properties | 5 | 3,600 | 9,835 | 9,847 | -- | 7,000 | 7,000 |
| Investments in subsidiaries | 6 | -- | -- | -- | 188,107 | 128,535 | 114,455 |
| Investments in associates | 7 | 9,021 | 86,337 | 91,977 | -- | 25,265 | 25,265 |
| Deferred tax assets | 8 | 1,190 | -- | 1,176 | -- | -- | -- |
| **Total non-current assets** | | 717,989 | 370,157 | 367,005 | 296,829 | 262,598 | 250,719 |
| Inventories | 9 | 177,760 | 104,577 | 87,227 | 29,162 | 42,952 | 39,320 |
| Trade and other receivables | 10 | 410,526 | 317,572 | 203,250 | 171,973 | 240,441 | 144,710 |
| Tax recoverable | | 880 | -- | -- | 606 | -- | -- |
| Cash and cash equivalents | 11 | 97,288 | 58,680 | 71,853 | 10,294 | 9,036 | 43,444 |
| | | 686,454 | 480,829 | 362,330 | 212,035 | 292,429 | 227,474 |
| Assets classified as held for sale | 12 | -- | -- | 42,831 | -- | -- | -- |
| **Total current assets** | | 686,454 | 480,829 | 405,161 | 212,035 | 292,429 | 227,474 |
| **Total assets** | | 1,404,443 | 850,986 | 772,166 | 508,864 | 555,027 | 478,193 |
| **Equity** | | | | | | | |
| Share capital | 13 | 182,327 | 182,327 | 182,327 | 182,327 | 182,327 | 182,327 |
| Reserves | 13 | 297,319 | 228,164 | 211,282 | 101,950 | 99,983 | 79,204 |
| **Total equity attributable to owners of the Company** | | 479,646 | 410,491 | 393,609 | 284,277 | 282,310 | 261,531 |
| **Non-controlling interests** | | 117,224 | 430 | 13,612 | -- | -- | -- |
| **Total equity** | | 596,870 | 410,921 | 407,221 | 284,277 | 282,310 | 261,531 |
| **Liabilities** | | | | | | | |
| Long term payables | 14 | 4,322 | 4,322 | 4,322 | -- | -- | -- |
| Loans and borrowings | 15 | 150,590 | 34,592 | 29,509 | 17,064 | 2,706 | 6,854 |
| Deferred tax liabilities | 8 | 60,768 | 24,046 | 22,989 | 12,643 | 12,334 | 12,639 |
| **Total non-current liabilities** | | 215,680 | 62,960 | 56,820 | 29,707 | 15,040 | 19,493 |
| Trade and other payables | 16 | 375,276 | 272,544 | 181,780 | 139,006 | 210,584 | 124,329 |
| Loans and borrowings | 15 | 211,167 | 103,416 | 105,320 | 55,874 | 45,787 | 69,892 |
| Taxation | | 5,450 | 1,145 | 3,769 | -- | 1,306 | 2,948 |
| | | 591,893 | 377,105 | 290,869 | 194,880 | 257,677 | 197,169 |
| Liabilities classified as held for sale | 12 | -- | -- | 17,256 | -- | -- | -- |
| **Total current liabilities** | | 591,893 | 377,105 | 308,125 | 194,880 | 257,677 | 197,169 |
| **Total liabilities** | | 807,573 | 440,065 | 364,945 | 224,587 | 272,717 | 216,662 |
| **Total equity and liabilities** | | 1,404,443 | 850,986 | 772,166 | 508,864 | 555,027 | 478,193 |

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 2013

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | | | | | |
| Goods sold | | 1,163,911 | 1,201,992 | 737,034 | 867,087 |
| Cost of goods sold | | (1,057,756) | (1,055,020) | (683,100) | (774,240) |
| **Gross profit** | | 106,155 | 146,972 | 53,934 | 92,847 |
| Other income | | 6,605 | 3,612 | 3,707 | 15,951 |
| Effect of acquisition of a subsidiary | 23 | 28,454 | -- | -- | -- |
| Distribution expenses | | (18,897) | (24,607) | (14,094) | (20,412) |
| Administrative expenses | | (53,699) | (55,617) | (30,795) | (32,719) |
| Other expenses | | (9,272) | (3,572) | (2,526) | (2,622) |
| **Results from operating activities** | | 59,346 | 66,788 | 10,226 | 53,045 |
| Interest income | | 929 | 942 | 227 | 385 |
| Finance costs | 17 | (5,668) | (5,859) | (1,820) | (2,958) |
| **Net finance costs** | | (4,739) | (4,917) | (1,593) | (2,573) |
| **Operating profit** | 18 | 54,607 | 61,871 | 8,633 | 50,472 |
| Share of loss of equity accounted associate, net of tax | | (5,160) | (13,080) | -- | -- |
| **Profit before tax** | | 49,447 | 48,791 | 8,633 | 50,472 |
| Tax expense | 19 | (9,480) | (16,478) | (2,883) | (9,769) |
| **Profit from continuing operations** | | 39,967 | 32,313 | 5,750 | 40,703 |
| **Discontinued operation** | | | | | |
| Profit from discontinued operation, net of tax | 12 | -- | 3,335 | -- | -- |
| **Profit for the year** | | 39,967 | 35,648 | 5,750 | 40,703 |

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

for the year ended 31 July 2013

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| **Other comprehensive income/ (expense), net of tax** | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | |
| Surplus on revaluation of properties, net of deferred tax | | 35,747 | -- | 9,869 | -- |
| **Items that are or may be reclassified subsequently to profit or loss** | | | | | |
| Foreign currency translation differences for foreign operations | | 6,674 | (809) | -- | -- |
| Other comprehensive income/ (expense) for the year | | 42,421 | (809) | 9,869 | -- |
| Total comprehensive income for the year | | 82,388 | 34,839 | 15,619 | 40,703 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | 43,910 | 37,390 | 5,750 | 40,703 |
| Non-controlling interests | | (3,943) | (1,742) | -- | -- |
| **Profit for the year** | | 39,967 | 35,648 | 5,750 | 40,703 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | 84,437 | 36,557 | 15,619 | 40,703 |
| Non-controlling interests | | (2,049) | (1,718) | -- | -- |
| **Total comprehensive income for the year** | | 82,388 | 34,839 | 15,619 | 40,703 |
| Basic earnings per ordinary share (sen) | 20 | | | | |
| - from continuing operations | | 24.23 | 18.78 | | |
| - from discontinued operation | | -- | 1.84 | | |
| | | 24.23 | 20.62 | | |
| Diluted earnings per ordinary share (sen) | 20 | | | | |
| - from continuing operations | | -- | -- | | |
| - from discontinued operation | | -- | -- | | |
| | | -- | -- | | |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2013

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | | | Distributable | | | |
| | Share capital RM'000 | Share premium RM'000 | Revaluation reserve RM'000 | Exchange fluctuation reserve RM'000 | Capital reserve RM'000 | Employee share -based reserve RM'000 | Treasury shares RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| **Group** | | | | | | | | | | | |
| **At 1 August 2011** | 182,327 | 2,381 | 47,518 | -- | 9,121 | 3,588 | (985) | 149,659 | 393,609 | 13,612 | 407,221 |
| Foreign currency translation differences for foreign operations | | | | | | | | | | | |
| **Total other comprehensive (expense)/income for the year** | -- | -- | -- | (833) | -- | -- | -- | -- | (833) | 24 | (809) |
| Profit for the year | -- | -- | -- | -- | -- | -- | -- | 37,390 | 37,390 | (1,742) | 35,648 |
| **Total comprehensive (expense)/ income for the year** | -- | -- | -- | (833) | -- | -- | -- | 37,390 | 36,557 | (1,718) | 34,839 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

for the year ended 31 July 2013

| | | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | | | | Distributable | | | | |
| | Note | Share capital RM'000 | Share premium 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 |
| *Contributions by and distributions to owners of the Company* | | | | | | | | | | | | |
| Shares buy back | | -- | -- | -- | -- | -- | -- | (514) | -- | (514) | -- | (514) |
| Equity settled share based transaction | | | | | | | | | | | | |
| - Share option granted | 13 | -- | -- | -- | -- | -- | 2,243 | -- | -- | 2,243 | 83 | 2,326 |
| - Share option granted in an associate | | -- | -- | -- | -- | -- | 351 | -- | -- | 351 | -- | 351 |
| - Share option lapsed in an associate | | -- | -- | -- | -- | -- | (279) | -- | 279 | -- | -- | -- |
| Dividends to owners of the Company | 21 | -- | -- | -- | -- | -- | -- | -- | (21,755) | (21,755) | -- | (21,755) |
| Disposal of assets held for sale | 12 | -- | -- | -- | -- | -- | -- | -- | -- | -- | (11,547) | (11,547) |
| **Total transactions with owners of the Group** | | -- | -- | -- | -- | -- | 2,315 | (514) | (21,476) | (19,675) | (11,464) | (31,139) |
| Transferred from retained earnings | | -- | -- | -- | -- | 275 | -- | -- | (275) | -- | -- | -- |
| Realisation of revaluation reserve | | -- | -- | (890) | -- | -- | -- | -- | 890 | -- | -- | -- |
| **At 31 July 2012** | | 182,327 | 2,381 | 46,628 | (833) | 9,396 | 5,903 | (1,499) | 166,188 | 410,491 | 430 | 410,921 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

for the year ended 31 July 2013

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | | | Distributable | | | |
| | Share capital RM'000 | Share premium RM'000 | Revaluation reserve RM'000 | Exchange fluctuation reserve RM'000 | Capital reserve RM'000 | Employee share -based reserve RM'000 | Treasury shares RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| **Group** | | | | | | | | | | | |
| **At 1 August 2012** | 182,327 | 2,381 | 46,628 | (833) | 9,396 | 5,903 | (1,499) | 166,188 | 410,491 | 430 | 410,921 |
| Foreign currency translation differences for foreign operation | -- | -- | -- | 4,938 | -- | -- | -- | -- | 4,938 | 1,736 | 6,674 |
| Surplus on revaluation of properties net of deferred tax | -- | -- | 35,589 | -- | -- | -- | -- | -- | 35,589 | 158 | 35,747 |
| Total other comprehensive income for the year | -- | -- | 35,589 | 4,938 | -- | -- | -- | -- | 40,527 | 1,894 | 42,421 |
| Profit for the year | -- | -- | -- | -- | -- | -- | -- | 43,910 | 43,910 | (3,943) | 39,967 |
| **Total comprehensive income/ (expense) for the year** | -- | -- | 35,589 | 4,938 | -- | -- | -- | 43,910 | 84,437 | (2,049) | 82,388 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

for the year ended 31 July 2013

| | | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | | | | | Distributable | | | |
| | Note | Share capital RM'000 | Share premium 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 |
| *Contributions by and distributions to owners of the Company* | | | | | | | | | | | | |
| Shares buy back | | -- | -- | -- | -- | -- | -- | (23) | -- | (23) | -- | (23) |
| Equity settled share based transaction | | | | | | | | | | | | |
| - Share option granted | 13 | -- | -- | -- | -- | -- | 870 | -- | -- | 870 | 49 | 919 |
| - Share option lapsed in an associate | | -- | -- | -- | -- | -- | (12) | -- | 12 | -- | -- | -- |
| Dividends to owners of the Company | 21 | -- | -- | -- | -- | -- | -- | -- | (14,497) | (14,497) | -- | (14,497) |
| | | -- | -- | -- | -- | -- | 858 | (23) | (14,485) | (13,650) | 49 | (13,601) |
| Dilution arising from new issues of shares in a subsidiary | | -- | -- | -- | -- | -- | -- | -- | (1,632) | (1,632) | 4,570 | 2,938 |
| Acquisition of a subsidiary | 23 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 113,116 | 113,116 |
| Increase in share capital in a subsidiary | | -- | -- | -- | -- | -- | -- | -- | -- | -- | 1,108 | 1,108 |
| **Total transactions with owners of the Group** | | -- | -- | -- | -- | -- | 858 | (23) | (16,117) | (15,282) | 118,843 | 103,561 |
| Deemed disposal of an associate | | -- | -- | (20,499) | -- | (9,396) | (881) | -- | 30,776 | -- | -- | -- |
| Transferred from retained earnings | | -- | -- | -- | -- | 142 | -- | -- | (142) | -- | -- | -- |
| Realisation of revaluation reserve | | -- | -- | (1,702) | -- | -- | -- | -- | 1,702 | -- | -- | -- |
| **At 31 July 2013** | | 182,327 | 2,381 | 60,016 | 4,105 | 142 | 5,880 | (1,522) | 226,317 | 479,646 | 117,224 | 596,870 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

for the year ended 31 July 2013

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | | | Distributable | |
| | Note | 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 | Total equity RM'000 |
| **Company** | | | | | | | | |
| **At 1 August 2011** | | 182,327 | 2,381 | 16,440 | 2,914 | (985) | 58,454 | 261,531 |
| **Profit and total comprehensive income for the year** | | -- | -- | -- | -- | -- | 40,703 | 40,703 |
| *Contributions by and distributions to owners of the Company* | | | | | | | | |
| Shares buy back | | -- | -- | -- | -- | (514) | -- | (514) |
| Equity settled share-based transaction | | | | | | | | |
| - Share option granted | 13 | -- | -- | -- | 2,345 | -- | -- | 2,345 |
| Dividends to owners of the Company | 21 | -- | -- | -- | -- | -- | (21,755) | (21,755) |
| **Total transactions with owners of the Company** | | -- | -- | -- | 2,345 | (514) | (21,755) | (19,924) |
| Realisation of revaluation reserve | | -- | -- | (375) | -- | -- | 375 | -- |
| **At 31 July 2012** | | 182,327 | 2,381 | 16,065 | 5,259 | (1,499) | 77,777 | 282,310 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

for the year ended 31 July 2013

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | | | Distributable | |
| | Note | 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 | Total equity RM'000 |
| **Company** | | | | | | | | |
| **At 1 August 2012** | | 182,327 | 2,381 | 16,065 | 5,259 | (1,499) | 77,777 | 282,310 |
| Surplus on revaluation of properties net of deferred tax/Total other comprehensive income for the year | | -- | -- | 9,869 | -- | -- | -- | 9,869 |
| Profit for the year | | -- | -- | -- | -- | -- | 5,750 | 5,750 |
| **Total comprehensive income for the year** | | -- | -- | 9,869 | -- | -- | 5,750 | 15,619 |
| *Contributions by and distributions to owners of the Company* | | | | | | | | |
| Shares buy back | | -- | -- | -- | -- | (23) | -- | (23) |
| Equity settled share-based transaction | | | | | | | | |
| - Share option granted | 13 | -- | -- | -- | 868 | -- | -- | 868 |
| Dividends to owners of the Company | 21 | -- | -- | -- | -- | -- | (14,497) | (14,497) |
| **Total transactions with owners of the Company** | | -- | -- | -- | 868 | (23) | (14,497) | (13,652) |
| Realisation of revaluation reserve | | -- | -- | (375) | -- | -- | 375 | -- |
| **At 31 July 2013** | | 182,327 | 2,381 | 25,559 | 6,127 | (1,522) | 69,405 | 284,277 |

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

# STATEMENTS OF CASH FLOWS

for the year ended 31 July 2013

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before tax: | | | | | |
| - continuing operations | | 49,447 | 48,791 | 8,633 | 50,472 |
| - discontinued operation | 12 | -- | (612) | -- | -- |
| | | 49,447 | 48,179 | 8,633 | 50,472 |
| Adjustments for:- | | | | | |
| Depreciation | 3 | 32,658 | 28,475 | 10,113 | 9,582 |
| Interest expense | 17 | 5,219 | 5,557 | 1,769 | 2,890 |
| Share of loss in associates | | 5,160 | 13,080 | -- | -- |
| Amortisation of prepaid lease payments | | 23 | -- | -- | -- |
| Equity settled share-based transactions | | 870 | 2,340 | 464 | 1,481 |
| Impairment loss/(Reversal of impairment loss) on receivables | | 480 | (172) | -- | -- |
| Interest income | | (929) | (942) | (227) | (385) |
| Property, plant and equipment: | | | | | |
| - Written off | | 19 | 92 | 19 | 4 |
| - Gain on disposal | | (413) | (351) | (404) | (256) |
| Gain on disposal of investment property | | (1,860) | -- | (1,860) | -- |
| Impairment loss/(Reversal of impairment loss) on investments in subsidiaries | | -- | -- | 1,415 | (6,841) |
| Unrealised (gain)/loss on foreign exchange | | (41) | (696) | 516 | (594) |
| Effect of acquisition of a subsidiary | 23 | (30,413) | -- | -- | -- |
| Loss on dilution of interest in an associate | 23 | 5,878 | -- | -- | -- |
| Changes in fair value of investment property | | (765) | 12 | -- | -- |
| **Operating profit before changes in working capital** | | 65,333 | 95,574 | 20,438 | 56,353 |
| Changes in inventories | | (21,702) | (17,360) | 13,790 | (3,632) |
| Changes in trade and other receivables | | 31,050 | (115,882) | 66,983 | (110,390) |
| Changes in trade and other payables | | (47,803) | 87,731 | (69,461) | 84,401 |
| **Cash generated from operations** | | 26,878 | 50,063 | 31,750 | 26,732 |
| Interest received | | 929 | 917 | 227 | 360 |
| Tax paid | | (8,141) | (16,869) | (5,646) | (11,716) |
| **Net cash from operating activities** | | 19,666 | 34,111 | 26,331 | 15,376 |

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

# STATEMENTS OF CASH FLOWS (CONT'D)

for the year ended 31 July 2013

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| **Cash flows from investing activities** | | | | | |
| Acquisition of: | | | | | |
| - property, plant and equipment | 22 | (31,394) | (40,360) | (7,564) | (6,375) |
| - prepaid lease payment | | (8,245) | -- | -- | -- |
| - subsidiaries | 23 | 16,217 | -- | (34,181) | -- |
| Additional investments in subsidiaries | | -- | -- | (1,136) | (6,375) |
| Proceeds from disposal of: | | | | | |
| - property, plant and equipment | | 1,814 | 3,103 | 914 | 1,550 |
| - a subsidiary | 12 | -- | 12,551 | -- | -- |
| - investment properties | | 8,860 | -- | 8,860 | -- |
| Interest received | | -- | 25 | -- | 25 |
| Loans to subsidiaries | | -- | -- | (122) | 12,902 |
| Repayment of loan to associates | | -- | 1,899 | -- | 1,899 |
| Increase in pledged deposit placed with licensed banks | | (9,416) | -- | -- | -- |
| **Net cash (used in)/from investing activities** | | (22,164) | (22,782) | (33,229) | 3,626 |
| **Cash flows from financing activities** | | | | | |
| Proceeds from long term borrowings | | 39,714 | 11,138 | 20,000 | -- |
| Repayment of long term borrowings | | (9,621) | (10,213) | (3,784) | (9,044) |
| Payments of finance lease liabilities | | (1,157) | (1,927) | (43) | (216) |
| Net drawdown from short term borrowings | | (634) | 4,089 | 8,272 | (18,991) |
| Interest paid | | (5,219) | (5,557) | (1,769) | (2,890) |
| Repurchase of treasury shares | | (23) | (514) | (23) | (514) |
| Funds from non-controlling interests | | 4,046 | -- | -- | -- |
| Dividend paid to owners of the Company | | (14,497) | (21,755) | (14,497) | (21,755) |
| **Net cash from/(used in) financing activities** | | 12,609 | (24,739) | 8,156 | (53,410) |
| Exchange differences on translation of the financial statements of foreign operations | | 9,904 | (833) | -- | -- |
| **Net increase/(decrease) in cash and cash equivalents** | | 20,015 | (14,243) | 1,258 | (34,408) |
| **Cash and cash equivalents at 1 August** | | 56,978 | 71,287 | 9,036 | 43,444 |
| Foreign exchange differences on opening balance | | 850 | (66) | -- | -- |
| **Cash and cash equivalents at 31 July** | | 77,843 | 56,978 | 10,294 | 9,036 |

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

| | | | | | |
|---|---|---|---|---|---|
| Cash and bank balances | | 75,872 | 38,142 | 10,125 | 8,873 |
| Deposits with licensed banks | | 12,000 | 20,538 | 169 | 163 |
| Bank overdrafts | | (10,029) | (1,702) | -- | -- |
| | | 77,843 | 56,978 | 10,294 | 9,036 |

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

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

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 July 2013 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 2013 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 (including the subsidiary acquired during the year) are disclosed in Note 6.

These financial statements were authorised for issue by the Board of Directors on 25 November 2013.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRS and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards (FRS). The financial impacts of transition to MFRS are disclosed in Note 31.

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 2013***

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

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 2013 (cont'd)***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009- 2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014***
- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015***
- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

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

(b) **Basis of measurement**

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

(c) **Functional and presentation currency**

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

1. **BASIS OF PREPARATION (CONT'D)**

**(d) Use of estimates and judgements**

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

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

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

- Note 2(d) - valuation of property
- Note 2(g)(iii) - valuation of investment properties
- 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 the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and the Company at 1 August 2011 (the transition date to MFRS framework), unless otherwise stated.

**(a) Basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are entities, including unincorporated 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. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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 investments 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.

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 negative goodwill is recognised immediately in profit or loss.

**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 treats 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 on control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous 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, unless it is classified as held for sale or distribution. 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 equity accounted 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, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. 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.

Investments in associates 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 the investment includes transaction costs.

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

**(a) Basis of consolidation (cont'd)**

**(vi) Non-controlling interests**

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

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

**(vii) Transactions eliminated on consolidation**

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

Unrealised gains arising from transactions with equity-accounted investees 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 cash flow hedge of currency risk, which are recognised in other comprehensive income.

**(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 foreign currency translation reserve (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 profit or loss on disposal.

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

### (b) Foreign currency (cont'd)

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, 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.

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

### (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.

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***

***(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 unquoted equity instruments whose fair values 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.

## 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.

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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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 or 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.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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

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

**Property, plant and equipment under the revaluation model**

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

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

#### (ii) Subsequent costs

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

#### (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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

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

#### (iii) Depreciation (cont'd)

The leasehold land and buildings are depreciated over their useful lives from the date acquisition or subsequently over the remaining useful lives from the date of revaluation. The useful lives for leasehold land and buildings for the current and future years are as follows:

| | Current year | Subsequent to revaluation in 2013 |
|---|---|---|
| Leasehold land | 39 - 86 | 34 - 81 |
| Buildings | 24 - 50 | 19 - 45 |

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

| | |
|---|---|
| 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.

#### (ii) Operating leases

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.

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

### (e) Leased assets (cont'd)

#### (ii) Operating leases (cont'd)

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

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

### (f) Intangible assets

#### (i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, 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 investee.

#### (ii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill 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.

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

**(g) Investment properties (cont'd)**

**(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.

**(iii) Determination of fair value**

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

**(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.

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

**(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 to sell.

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

### (i) Non-current assets held for sale or distribution to owners (cont'd)

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 investees 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. 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 financial asset's recoverable amount is estimated.

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

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

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

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

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

### (k) Impairment (cont'd)

#### (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 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 to sell. 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.

### (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 issue of instruments classified as equity are recognised as a deduction from equity.

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

### (l) Equity instruments (cont'd)

#### (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 distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

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, and the resulting surplus or deficit on the transaction is presented in share premium.

### (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 liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

**(m) Income tax (cont'd)**

Unutilised reinvestment allowance and investment tax allowance, 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 discount 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.

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

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

### (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. Once the contributions have been paid, the Group has no further payment obligations.

#### (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 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 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) Provisions

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.

***Contingent liabilities***

Where is not probable that an outflow of economic benefits will be required, of the amount cannot be estimated reliably, the obligation 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.

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

**(r) Earnings per ordinary share**

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

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

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

**(s) 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 assess its performance, and for which discrete financial information is available.

## 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 2011 | 154,097 | 256,841 | 16,986 | 8,000 | 7,529 | 443,453 |
| Additions | 7,566 | 22,342 | 3,710 | 1,327 | 7,452 | 42,397 |
| Disposals | -- | (13,683) | (63) | (866) | -- | (14,612) |
| Written off | -- | (4,566) | (280) | -- | -- | (4,846) |
| Transfer | 7,442 | 970 | 88 | -- | (8,500) | -- |
| Exchange differences | (155) | (1,356) | 7 | (13) | (158) | (1,675) |
| At 31 July 2012/1 August 2012 | 168,950 | 260,548 | 20,448 | 8,448 | 6,323 | 464,717 |
| Additions | 302 | 15,798 | 2,651 | 1,510 | 13,669 | 33,930 |
| Disposals | -- | (8,745) | (10) | (2,167) | -- | (10,922) |
| Written off | -- | (147) | (207) | -- | -- | (354) |
| Acquisitions through business combination | 198,461 | 371,282 | 35,690 | 11,308 | -- | 616,741 |
| Revaluation | 23,009 | -- | -- | -- | -- | 23,009 |
| Exchange differences | 4,629 | 12,717 | 931 | 330 | 1,084 | 19,691 |
| At 31 July 2013 | 395,351 | 651,453 | 59,503 | 19,429 | 21,076 | 1,146,812 |
| **Representing items at:** | | | | | | |
| Cost | 202,983 | 651,453 | 59,503 | 19,429 | 21,076 | 954,444 |
| Directors' valuation - 2013 | 192,368 | -- | -- | -- | -- | 192,368 |
| | 395,351 | 651,453 | 59,503 | 19,429 | 21,076 | 1,146,812 |
| **Accumulated depreciation** | | | | | | |
| At 1 August 2011 | 11,998 | 149,561 | 13,143 | 5,317 | -- | 180,019 |
| Depreciation charge | 3,859 | 21,889 | 1,792 | 935 | -- | 28,475 |
| Disposals | -- | (10,933) | (61) | (866) | -- | (11,860) |
| Written off | -- | (4,478) | (276) | -- | -- | (4,754) |
| Exchange differences | (47) | (557) | 9 | (6) | -- | (601) |
| Reclassification | -- | (77) | 77 | -- | -- | -- |
| At 31 July 2012/1 August 2012 | 15,810 | 155,405 | 14,684 | 5,380 | -- | 191,279 |
| Depreciation charge | 4,213 | 25,127 | 2,143 | 1,175 | -- | 32,658 |
| Disposals | -- | (7,655) | (9) | (1,857) | -- | (9,521) |
| Written off | -- | (130) | (205) | -- | -- | (335) |
| Acquisitions through business combination | 41,629 | 252,497 | 24,252 | 9,295 | -- | 327,673 |
| Revaluation | (19,563) | -- | -- | -- | -- | (19,563) |
| Exchange differences | 948 | 7,649 | 631 | 227 | -- | 9,455 |
| At 31 July 2013 | 43,037 | 432,893 | 41,496 | 14,220 | -- | 531,646 |
| **Carrying amounts** | | | | | | |
| At 31 July 2011 | 142,099 | 107,280 | 3,843 | 2,683 | 7,529 | 263,434 |
| At 31 July 2012/1 August 2012 | 153,140 | 105,143 | 5,764 | 3,068 | 6,323 | 273,438 |
| At 31 July 2013 | 352,314 | 218,560 | 18,007 | 5,209 | 21,076 | 615,166 |

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

| | Land and buildings RM'000 | Plant and machinery RM'000 | Furniture, fittings and renovation RM'000 | Motor vehicles RM'000 | Capital work-in -progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **At cost/valuation** | | | | | | |
| At 1 August 2011 | 71,579 | 68,920 | 7,345 | 5,763 | 978 | 154,585 |
| Additions | -- | 4,921 | 1,805 | 981 | 972 | 8,679 |
| Transfer | 1,950 | -- | -- | -- | (1,950) | -- |
| Disposals | -- | (5,286) | -- | (866) | -- | (6,152) |
| Written off | -- | -- | (130) | -- | -- | (130) |
| Transfer to subsidiaries | -- | (227) | 85 | -- | -- | (142) |
| At 31 July 2012/1 August 2012 | 73,529 | 68,328 | 9,105 | 5,878 | -- | 156,840 |
| Additions | 22 | 4,770 | 901 | 1,236 | -- | 6,929 |
| Disposals | -- | (2,100) | -- | (1,196) | -- | (3,296) |
| Written off | -- | (147) | (103) | -- | -- | (250) |
| Transfer to subsidiaries | -- | (421) | (10) | -- | -- | (431) |
| Revaluation | 2,930 | -- | -- | -- | -- | 2,930 |
| At 31 July 2013 | 76,481 | 70,430 | 9,893 | 5,918 | -- | 162,722 |
| **Representing items at:** | | | | | | |
| Cost | -- | 70,430 | 9,893 | 5,918 | -- | 86,241 |
| Directors' valuation - 2013 | 76,481 | -- | -- | -- | -- | 76,481 |
| | 76,481 | 70,430 | 9,893 | 5,918 | -- | 162,722 |
| **Accumulated depreciation** | | | | | | |
| At 1 August 2011 | 4,957 | 35,351 | 6,349 | 3,929 | -- | 50,586 |
| Depreciation charge | 1,699 | 6,610 | 660 | 613 | -- | 9,582 |
| Disposals | -- | (4,062) | -- | (866) | -- | (4,928) |
| Written off | -- | -- | (126) | -- | -- | (126) |
| Transfer to subsidiaries | -- | (146) | 74 | -- | -- | (72) |
| At 31 July 2012/1 August 2012 | 6,656 | 37,753 | 6,957 | 3,676 | -- | 55,042 |
| Depreciation charge | 1,443 | 7,141 | 712 | 817 | -- | 10,113 |
| Disposals | -- | (1,590) | -- | (1,196) | -- | (2,786) |
| Written off | -- | (130) | (101) | -- | -- | (231) |
| Transfer to subsidiaries | -- | (29) | (10) | -- | -- | (39) |
| Revaluation | (8,099) | -- | -- | -- | -- | (8,099) |
| At 31 July 2013 | -- | 43,145 | 7,558 | 3,297 | -- | 54,000 |
| **Carrying amounts** | | | | | | |
| At 31 July 2011 | 66,622 | 33,569 | 996 | 1,834 | 978 | 103,999 |
| At 31 July 2012/1 August 2012 | 66,873 | 30,575 | 2,148 | 2,202 | -- | 101,798 |
| At 31 July 2013 | 76,481 | 27,285 | 2,335 | 2,621 | -- | 108,722 |

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

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.7.2013<br>RM'000 | 31.7.2012<br>RM'000 | 1.8.2011<br>RM'000 | 31.7.2013<br>RM'000 | 31.7.2012<br>RM'000 | 1.8.2011<br>RM'000 |
| **Carrying amounts of land and buildings** | | | | | | |
| **At valuation** | | | | | | |
| Freehold land | 37,231 | 18,829 | 18,829 | 18,430 | 12,429 | 12,429 |
| Leasehold land: | | | | | | |
| - Long term | 1,420 | 1,385 | 1,401 | 1,420 | 1,385 | 1,401 |
| - Short term | 9,370 | 7,319 | 7,506 | -- | -- | -- |
| Buildings | 144,347 | 97,493 | 100,691 | 56,631 | 50,995 | 52,607 |
| **At cost** | | | | | | |
| Freehold land | -- | 3,514 | 3,514 | -- | -- | -- |
| Buildings | 159,946 | 24,600 | 10,158 | -- | 2,064 | 185 |
| | 352,314 | 153,140 | 142,099 | 76,481 | 66,873 | 66,622 |

**Revaluation**

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

The market values of the land and buildings are determined based on cost method of valuation. The value of the land is determined by comparison to similar land transacted and the values of the buildings are determined based on depreciated replacement cost.

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

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.7.2013<br>RM'000 | 31.7.2012<br>RM'000 | 1.8.2011<br>RM'000 | 31.7.2013<br>RM'000 | 31.7.2012<br>RM'000 | 1.8.2011<br>RM'000 |
| Freehold land | 21,730 | 18,222 | 18,222 | 11,879 | 11,879 | 11,879 |
| Leasehold land: | | | | | | |
| - Long term | 1,065 | 1,080 | 1,095 | 1,065 | 1,080 | 1,095 |
| - Short term | 5,782 | 5,931 | 6,079 | -- | -- | -- |
| Buildings | 86,839 | 88,936 | 77,535 | 32,378 | 33,177 | 32,488 |
| | 115,416 | 114,169 | 102,931 | 45,322 | 46,136 | 45,462 |

**Leased plant and machinery**

At 31 July 2013, the net carrying amount of leased plant and equipment of the Group and of the Company was RM2,742,000 (31.7.2012: RM4,095,000; 1.8.2011: RM9,369,000) and RM232,067 (31.7.2012: RM331,524; 1.8.2011: RM430,983) respectively.

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

**Security**

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

Certain property, plant and equipment of subsidiaries with carrying amount of RM181,044,000 (31.7.2012: NIL; 1.8.2011: NIL) have been pledged as security for banking facilities granted to the said subsidiaries (see Note 15).

**Others**

Motor vehicles of the Group/Company with carrying amount of RM1,509,318 (31.7.2012: RM987,026; 1.8.2011: RM414,407) are held in trust by Directors.

## 4. PREPAID LEASE PAYMENTS

| | Unexpired period less than 50 years RM'000 |
|---|---|
| **Group** | |
| **At cost** | |
| At 1 August 2011 | 571 |
| Exchange differences | (24) |
| At 31 July 2012/1 August 2012 | 547 |
| Additions | 8,245 |
| Acquisition through business combination (Note 23) | 78,088 |
| Exchange differences | 2,156 |
| At 31 July 2013 | 89,036 |
| **Accumulated amortisation** | |
| At 1 August 2011/31 July 2012 | -- |
| At 1 August 2012 | -- |
| Amortisation charge | 23 |
| Exchange differences | 1 |
| At 31 July 2013 | 24 |
| **Carrying amounts** | |
| At 31 July 2011 | 571 |
| At 31 July 2012/1 August 2012 | 547 |
| At 31 July 2013 | 89,012 |

Prepaid lease payments of certain subsidiaries with carrying amount of RM79,826,000 (31.7.2012: NIL; 1.8.2011: NIL) have been pledged as security for banking facilities granted to the said subsidiaries (see Note 15).

## 5. INVESTMENT PROPERTIES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| Carrying amount, at fair value | 3,600 | 9,835 | 9,847 | -- | 7,000 | 7,000 |

Included in the above are:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| Freehold land | -- | 7,000 | 7,000 | -- | 7,000 | 7,000 |
| Long term leasehold land | 800 | 535 | 547 | -- | -- | -- |
| Buildings | 2,800 | 2,300 | 2,300 | -- | -- | -- |
| | 3,600 | 9,835 | 9,847 | -- | 7,000 | 7,000 |

The fair value of the leasehold land and factory buildings are determined by Directors by reference to the valuation conducted in July 2013 by independent professional valuers. Subsequent renewals are negotiated with the lessee and no contingent rents are charged.

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

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| Rental income | 356 | 269 | 268 | -- | -- | -- |
| Direct operating expenses | | | | | | |
| - income generating | 24 | 24 | 25 | -- | -- | -- |
| - non-income generating | 12 | 12 | 9 | 12 | 12 | 9 |

## 6. INVESTMENTS IN SUBSIDIARIES

| | Company | | |
|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| **At cost** | | | |
| Quoted shares outside Malaysia | 59,446 | -- | -- |
| Unquoted shares | 133,620 | 132,105 | 124,866 |
| Less: Impairment loss | (4,959) | (3,570) | (10,411) |
| | 188,107 | 128,535 | 114,455 |
| **Market value** | | | |
| Quoted shares outside Malaysia | 96,387 | -- | -- |

## 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

| Name of company | Principal activities | Country of incorporation | Effective ownership interest | | |
|---|---|---|---|---|---|
| | | | 31.7.2013 | 31.7.2012 | 1.8.2011 |
| | | | % | % | % |
| V.S. Plus Sdn. Bhd. | Manufacturing, assembly and sale of plastic moulded components and parts and electrical products | Malaysia | 99.25 | 99.25 | 99.25 |
| V.S. Ashin Technology Sdn. Bhd. | Property letting | Malaysia | 54.40 | 54.40 | 54.40 |
| V.S. Electronics Sdn. Bhd. | Manufacturing, assembling and sale of electronic and electrical products, components and parts | Malaysia | 100 | 100 | 100 |
| V.S. Technology Sdn. Bhd. | Design and fabrication of tools and moulds | Malaysia | 100 | 100 | 100 |
| V.S. Logistics Sdn. Bhd. | Dormant | Malaysia | 100 | 100 | 100 |
| V.S. Holdings (M) Ltd# | Investment holding | Mauritius | 100 | 100 | 100 |
| VVS Co., Ltd. | Dormant | British Virgin Islands | -- | 87.27 | 87.27 |
| PT. V.S. Technology Indonesia @ | Assembling and sale of electronic products | Indonesia | 100 | 100 | 100 |
| PT.GY Plantation Indonesia @ | Operation of an oil palm plantation | Indonesia | -- | -- | 53 |
| VS Marketing & Engineering Pte. Ltd. @ | Trading of electronic components | Singapore | 51 | 51 | 51 |
| V.S. International Group Limited @ - Listed on Hong Kong Stock Exchange | Investment holding | Cayman Islands | 53.84 | -- | -- |

## 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of company | Principal activities | Country of incorporation | Effective ownership interest | | |
|---|---|---|---|---|---|
| | | | 31.7.2013 | 31.7.2012 | 1.8.2011 |
| | | | % | % | % |
| ***Subsidiaries of V.S. International Group Limited @*** | | | | | |
| V.S. International Industry Limited | Investment holding | British Virgin Islands | 53.84 | -- | -- |
| V.S. Investment Holdings Limited | Dormant | British Virgin Islands | 53.84 | -- | -- |
| V.S. Corporation (Hong Kong) Co., Limited | Trading of electronic products, parts and components | Hong Kong | 53.84 | -- | -- |
| 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 | 53.84 | -- | -- |
| Haivs Industry (Qingdao) Co., Ltd. | Dormant | People's Republic of China | 53.84 | -- | -- |
| Qingdao GS Electronics Plastic Co., Ltd. | Manufacturing and selling of plastic moulded products and parts | People's Republic of China | 53.84 | -- | -- |
| Qingdao GP Electronic Plastics Co., Ltd. | Manufacturing and selling of plastic moulded products and parts | People's Republic of China | 53.84 | -- | -- |
| Qingdao GP Precision Mold Co., Ltd. | Manufacturing and selling of plastic injection moulds | People's Republic of China | 53.84 | -- | -- |
| VSA Holding Hong Kong Co., Limited | Investment holding | Hong Kong | 53.84 | -- | -- |
| VSA Electronics Technology (Zhuhai) Co., Ltd. | Assembling and selling of electronic products, parts and components | People's Republic of China | 53.84 | -- | -- |
| V.S. Industry (Zhuhai) Co., Ltd. | Manufacturing and selling of plastic moulded products and parts | People's Republic of China | 53.84 | -- | -- |

## 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of company | Principal activities | Country of incorporation | Effective ownership interest 31.7.2013 % | 31.7.2012 % | 1.8.2011 % |
|---|---|---|---|---|---|
| ***Subsidiaries of V.S. International Group Limited @ (cont'd)*** | | | | | |
| V.S. Holding Vietnam Limited | Investment holding | British Virgin Islands | 53.84 | -- | -- |
| V.S. Industry Holding Limited | Investment holding | Hong Kong | 53.84 | -- | -- |
| V.S. Electronics (Zhuhai) Co., Ltd. | Assembling and selling of electronic products, parts and components | People's Republic of China | 53.84 | -- | -- |
| V.S. Industrial Product Design (Zhuhai) Co., Ltd. | Dormant | People's Republic of China | 53.84 | -- | -- |

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

## 7. INVESTMENTS IN ASSOCIATES

| | Group 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | Company 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
|---|---|---|---|---|---|---|
| **At cost** | | | | | | |
| Quoted shares outside Malaysia | -- | 25,265 | 25,265 | -- | 25,265 | 25,265 |
| Unquoted shares outside Malaysia | 24,966 | 16,623 | 16,623 | 16,623 | 16,623 | 16,623 |
| Share of post-acquisition reserves | (4,294) | 56,100 | 61,740 | -- | -- | -- |
| | 20,672 | 97,988 | 103,628 | 16,623 | 41,888 | 41,888 |
| Less: Impairment loss | (11,651) | (11,651) | (11,651) | (16,623) | (16,623) | (16,623) |
| | 9,021 | 86,337 | 91,977 | -- | 25,265 | 25,265 |
| Represented by: | | | | | | |
| Group's share of net assets other than goodwill | 9,021 | 86,005 | 91,667 | -- | -- | -- |
| Group's share of goodwill in associate's consolidated financial statements less amortisation, at carrying amount | -- | 332 | 310 | -- | -- | -- |
| | 9,021 | 86,337 | 91,977 | -- | -- | -- |
| **At market value** | | | | | | |
| Quoted shares outside Malaysia | -- | 30,296 | 16,205 | -- | 30,296 | 16,205 |

## 7. INVESTMENTS IN ASSOCIATES (CONT'D)

Summary financial information on the associates:

| Name of company | Country of incorporation | Effective ownership interest (%) | Revenue (100%) RM'000 | Loss (100%) RM'000 | Total assets (100%) RM'000 | Total liabilities (100%) RM'000 |
|---|---|---|---|---|---|---|
| **31.7.2013** | | | | | | |
| PT. VS Mining Resources @** | Indonesia | 45.00 | -- | (630) | 8,523 | (8,215) |
| VS Industry Vietnam Joint Stock Company@ | Vietnam | 23.93 | 212,157 | (6,152) | 181,871 | (143,825) |
| | | | 212,157 | (6,782) | 190,394 | (152,040) |
| **31.7.2012** | | | | | | |
| V.S. International Group Limited - listed on Hong Kong Stock Exchange#* | Cayman Islands | 43.06 | 604,029 | (30,377) | 598,869 | (398,115) |
| PT. VS Mining Resources @** | Indonesia | 45.00 | -- | (1,762) | 9,042 | (8,055) |
| | | | 604,029 | (32,139) | 607,911 | (406,170) |
| **1.8.2011** | | | | | | |
| V.S. International Group Limited - listed on Hong Kong Stock Exchange#* | Cayman Islands | 43.06 | 639,755 | (24,928) | 697,158 | (482,429) |
| PT. VS Mining Resources @** | Indonesia | 45.00 | -- | (1,050) | 9,497 | (6,675) |
| | | | 639,755 | (25,978) | 706,655 | (489,104) |

* The associate has interest in subsidiaries that are principally involved in the business of manufacturing, assembly and sale of plastic moulded products and parts, electronic products and mould design and fabrication. During the financial year, through acquisition of additional shares, this associate became a subsidiary of the Company (refer Note 6 and Note 23).

** The associate has interest in a controlled entity that is principally involved in the exploration and mining of coal for which impairment losses has been provided in full.

\# Audited by member firm of KPMG International.

@ Audited by other firms of accountants.

## 8. DEFERRED TAX ASSETS/(LIABILITIES)

**Recognised deferred tax assets/(liabilities)**

The amounts determined after appropriate offsetting are as follows:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **31.7.2013 RM'000** | **31.7.2012 RM'000** | **1.8.2011 RM'000** | **31.7.2013 RM'000** | **31.7.2012 RM'000** | **1.8.2011 RM'000** |
| Deferred tax assets | 1,190 | -- | 1,176 | -- | -- | -- |
| Deferred tax liabilities | (60,768) | (24,046) | (22,989) | (12,643) | (12,334) | (12,639) |
| | (59,578) | (24,046) | (21,813) | (12,643) | (12,334) | (12,639) |

Deferred tax assets and liabilities are attributable to the following:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **31.7.2013 RM'000** | **31.7.2012 RM'000** | **1.8.2011 RM'000** | **31.7.2013 RM'000** | **31.7.2012 RM'000** | **1.8.2011 RM'000** |
| Property, plant and equipment | | | | | | |
| - capital allowances | (20,005) | (20,932) | (20,678) | (7,221) | (7,629) | (7,755) |
| - revaluation | (16,292) | (8,214) | (8,380) | (6,102) | (5,067) | (5,192) |
| - business combination | (26,415) | -- | -- | -- | -- | -- |
| Deductible temporary differences | 2,219 | 1,280 | 1,105 | 680 | 362 | 308 |
| Unabsorbed capital allowances | 915 | 820 | 1,801 | -- | -- | -- |
| Unutilised tax losses | -- | -- | 114 | -- | -- | -- |
| Unutilised reinvestment allowances | -- | 3,000 | 4,225 | -- | -- | -- |
| | (59,578) | (24,046) | (21,813) | (12,643) | (12,334) | (12,639) |

**Movement in temporary differences during the year:**

| **Group** | **At 1.8.2012 RM'000** | **Recognised in profit or loss (Note 19) RM'000** | **Recognised in other compre -hensive income RM'000** | **Exchange differences RM'000** | **Acquired in business combination (Note 23) RM'000** | **At 31.7.2013 RM'000** |
|---|---|---|---|---|---|---|
| Property, plant and equipment | | | | | | |
| - capital allowance | (20,932) | 1,020 | -- | (93) | -- | (20,005) |
| - revaluation | (8,214) | 422 | (6,825) | (1,675) | -- | (16,292) |
| - fair value adjustments | -- | -- | -- | -- | (26,415) | (26,415) |
| Deductible temporary differences | 1,280 | 646 | -- | 435 | (142) | 2,219 |
| Unabsorbed capital allowances | 820 | 95 | -- | -- | -- | 915 |
| Unutilised reinvestment allowances | 3,000 | (3,000) | -- | -- | -- | -- |
| | (24,046) | (817) | (6,825) | (1,333) | (26,557) | (59,578) |

## 8. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

| | At 1.8.2011 RM'000 | Recognised in profit or loss (Note 19) RM'000 | Exchange differences RM'000 | At 31.7.2012 RM'000 |
|---|---|---|---|---|
| Property, plant and equipment | | | | |
| - capital allowance | (20,678) | (305) | 51 | (20,932) |
| - revaluation | (8,380) | 166 | -- | (8,214) |
| Deductible temporary differences | 1,105 | 185 | (10) | 1,280 |
| Unabsorbed capital allowances | 1,801 | (981) | -- | 820 |
| Unutilised tax losses | 114 | (114) | -- | -- |
| Unutilised reinvestment allowances | 4,225 | (1,225) | -- | 3,000 |
| | (21,813) | (2,274) | 41 | (24,046) |

| Company | At 1.8.2011 RM'000 | Recognised in profit or loss (Note 19) RM'000 | At 31.7.2012 RM'000 | Recognised in profit or loss (Note 19) RM'000 | Recognised in other comprehen -sive income RM'000 | At 31.7.2013 RM'000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | | | | | | |
| - capital allowance | (7,755) | 126 | (7,629) | 408 | -- | (7,221) |
| - revaluation | (5,192) | 125 | (5,067) | 125 | (1,160) | (6,102) |
| Deductible temporary differences | 308 | 54 | 362 | 318 | -- | 680 |
| | (12,639) | 305 | (12,334) | 851 | (1,160) | (12,643) |

**Unrecognised deferred tax assets**

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

| | Group | | |
|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| Unutilised tax losses | 117,166 | 12,920 | 12,920 |
| Unutilised reinvestment and investment tax allowances | 20,474 | 15,974 | 11,974 |
| Deductible temporary differences | 668 | 668 | 668 |
| Taxable temporary differences | (760) | (686) | (615) |
| | 137,548 | 28,876 | 24,947 |

The unutilised tax losses, unutilised reinvestment and investment tax allowances and deductible temporary differences do not expire under current tax legislation other than unutilised tax losses of RM104.2 million which will expire between 2014 to 2018 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 a subsidiary can utilise the benefits there from.

## 9. INVENTORIES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| Raw materials | 86,038 | 55,985 | 44,082 | 17,172 | 22,485 | 19,688 |
| Work-in-progress | 39,295 | 24,276 | 22,062 | 7,125 | 11,695 | 10,273 |
| Finished goods | 52,087 | 23,922 | 20,648 | 4,582 | 8,378 | 8,924 |
| Packing materials | 340 | 394 | 435 | 283 | 394 | 435 |
| | 177,760 | 104,577 | 87,227 | 29,162 | 42,952 | 39,320 |

At the end of the reporting period, the Group has written off obsolete inventories of NIL (31.7.2012: RM294,000; 1.8.2011: NIL).

## 10. TRADE AND OTHER RECEIVABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| Trade receivables | 371,926 | 299,322 | 186,629 | 150,760 | 231,237 | 119,947 |
| Other receivables, deposits and prepayments | 36,164 | 18,249 | 14,569 | 2,377 | 2,815 | 3,455 |
| Derivatives at fair value through profit or loss | | | | | | |
| - forward foreign currency contracts | 2,436 | -- | -- | -- | -- | -- |
| Due from subsidiaries | | | | | | |
| - non-trade | -- | -- | -- | 7,275 | 688 | 3,082 |
| - loan | -- | -- | -- | 3,304 | 3,182 | 16,083 |
| - trade | -- | -- | -- | 8,257 | 2,518 | 244 |
| Due from associates | | | | | | |
| - non-trade | -- | 1 | 153 | -- | 1 | -- |
| - loan | -- | -- | 1,899 | -- | -- | 1,899 |
| | 410,526 | 317,572 | 203,250 | 171,973 | 240,441 | 144,710 |

## 11. CASH AND CASH EQUIVALENTS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| Deposits with licensed banks | 21,416 | 20,538 | 18,989 | 169 | 163 | 8,869 |
| Cash and bank balances | 75,872 | 38,142 | 52,864 | 10,125 | 8,873 | 34,575 |
| | 97,288 | 58,680 | 71,853 | 10,294 | 9,036 | 43,444 |

Included in the deposits placed with licensed banks is RM9,416,000 (31.7.2012: NIL; 1.8.2011: NIL) pledged for bank facilities granted to certain subsidiaries.

## 12. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 13 July 2011, the Group entered into a Conditional Sale and Purchase of Shares Agreement with a third party to dispose its entire shareholding in a subsidiary, PT. GY Plantation Indonesia for a consideration of USD4,073,445 (equivalent to RM12,020,736). The sale was completed in October 2011.

Profit/(Loss) attributable to the discontinued operation were as follows:

| | Group 31.7.2012 RM'000 |
|---|---|
| **Results of discontinued operation** | |
| Revenue | 278 |
| Expenses | (890) |
| Loss before tax/Loss for the year | (612) |
| Gain on sale of discontinued operation | 3,947 |
| Profit for the year | 3,335 |

The cash flows from the discontinued operation are not significant to the Group.

Effect of disposal on the financial position of the Group:

| | Group 31.7.2012 RM'000 |
|---|---|
| Property, plant and equipment | 10,965 |
| Biological assets | 30,463 |
| Deferred tax assets | 563 |
| Inventories | 397 |
| Trade and other receivables | 181 |
| Cash and cash equivalents | 84 |
| Trade and other payables | (6,884) |
| Loan and borrowings | (15,534) |
| Net assets and liabilities | 20,235 |
| Less: Non-controlling interests portion | (11,547) |
| | 8,688 |
| Gain on sale of discontinued operation | 3,947 |
| Consideration received, satisfied in cash | 12,635 |
| Cash and cash equivalents disposed of | (84) |
| Net cash inflow | 12,551 |

## 12. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE (CONT'D)

As at 1 August 2011, the assets and liabilities held for sale were as follows:

| | Group RM'000 |
|---|---|
| **Assets classified as held for sale** | |
| Property, plant and equipment | 10,965 |
| Biological assets | 30,463 |
| Deferred tax assets | 563 |
| Inventories | 387 |
| Trade and other receivables | 403 |
| Cash and cash equivalents | 50 |
| Assets classified as held for sale | 42,831 |

| | RM'000 |
|---|---|
| **Liabilities classified as held for sale** | |
| Loans and borrowings | |
| - non-current | 104 |
| - current | 14,387 |
| Trade and other payables | 2,765 |
| Liabilities classified as held for sale | 17,256 |

## 13. CAPITAL AND RESERVES

**Share capital**

| | Group/Company | | Group/Company Number of ordinary shares | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 '000 | 2012 '000 |
| Ordinary shares of RM1.00 each: | | | | |
| Authorised | 500,000 | 500,000 | 500,000 | 500,000 |
| Issued and fully paid | 182,327 | 182,327 | 182,327 | 182,327 |

**Reserves**

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| **Non-distributable** | | | | | | |
| Share premium | 2,381 | 2,381 | 2,381 | 2,381 | 2,381 | 2,381 |
| Revaluation reserve | 60,016 | 46,628 | 47,518 | 25,559 | 16,065 | 16,440 |
| Exchange fluctuation reserve | 4,105 | (833) | -- | -- | -- | -- |
| Capital reserve | 142 | 9,396 | 9,121 | -- | -- | -- |
| Employee share-based reserve | 5,880 | 5,903 | 3,588 | 6,127 | 5,259 | 2,914 |
| Treasury shares | (1,522) | (1,499) | (985) | (1,522) | (1,499) | (985) |
| | 71,002 | 61,976 | 61,623 | 32,545 | 22,206 | 20,750 |
| **Distributable** | | | | | | |
| Retained earnings | 226,317 | 166,188 | 149,659 | 69,405 | 77,777 | 58,454 |
| | 297,319 | 228,164 | 211,282 | 101,950 | 99,983 | 79,204 |

## 13. CAPITAL AND RESERVES (CONT'D)

**Treasury shares**

At the Annual General Meeting held on 3 January 2013, 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 15,000 (31.7.2012: 351,300; 1.8.2011: 341,800) of its issued ordinary shares. The average repurchase price was RM1.49 (31.7.2012: RM1.46; 1.8.2011: RM1.37) per ordinary share. The total consideration paid was RM22,313 including transaction costs of RM163.

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 2013, a total of 1,119,336 (31.7.2012: 1,104,336; 1.8.2011: 753,036) repurchased shares are being held as treasury shares. The number of outstanding ordinary shares of RM1.00 each in issue after the setoff is 181,207,370 (31.7.2012: 181,222,370; 1.8.2011: 181,573,670).

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.

**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.

**Retained earnings**

The Company has adopted the single tier company income tax system pursuant to Finance Act, 2007.

**Employee share-based reserve**

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

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.

**Equity settled share-based transaction**

On 19 November 2010, the Group established a share option programme that entitles key management personnel and employees to purchase shares in the Company.

## 13. CAPITAL AND RESERVES (CONT'D)

The terms and conditions relating to the grants of the 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 19 November 2010 | 26,178 | 20% of the options issued for each calendar year | 5 years |

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

| Date of offer | Exercise price RM | Number of options over ordinary shares of RM1.00 each ('000) At 1 August 2012 | Granted | Exercised | Forfeited | At 31 July 2013 |
|---|---|---|---|---|---|---|
| 19 November 2010 | 1.54 | 19,631 | -- | -- | (728) | 18,903 |

### 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 to reflect the impact of vesting period, exit rate and exercise pattern on the option value.

| | |
|---|---|
| Fair value at grant date | RM0.367 |
| Share price at grant date | RM1.74 |
| Exercise price | RM1.54 |
| Expected volatility (weighted average volatility) | 30% |
| Option life (expected weighted average life) | 5 years |
| Expected dividends | 5% |
| Risk-free interest rate (based on Malaysian Government Securities) | 3.287% |

### Value of employee services received for issue of share options

| | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|
| Total expense recognised as equity settled share-based transaction | 870 | 2,340 | 464 | 1,481 |

## 14. LONG TERM PAYABLES

| | Group 31.7.2013 RM'000 | Group 31.7.2012 RM'000 | Group 1.8.2011 RM'000 |
|---|---|---|---|
| Due to Directors | 4,322 | 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 31.7.2013 RM'000 | Group 31.7.2012 RM'000 | Group 1.8.2011 RM'000 | Company 31.7.2013 RM'000 | Company 31.7.2012 RM'000 | Company 1.8.2011 RM'000 |
|---|---|---|---|---|---|---|
| **Non-current** | | | | | | |
| ***Secured*** | | | | | | |
| Term loans | 94,584 | -- | 579 | -- | -- | -- |
| Finance lease liabilities | 251 | 667 | 1,894 | 157 | 201 | 333 |
| | 94,835 | 667 | 2,473 | 157 | 201 | 333 |
| ***Unsecured*** | | | | | | |
| Term loans | 55,755 | 33,925 | 27,036 | 16,907 | 2,505 | 6,521 |
| | 150,590 | 34,592 | 29,509 | 17,064 | 2,706 | 6,854 |
| **Current** | | | | | | |
| ***Secured*** | | | | | | |
| Term loans | 12,974 | -- | 824 | -- | -- | -- |
| Bank overdrafts | 10,029 | -- | -- | -- | -- | -- |
| Short term loan | 26,438 | -- | -- | -- | -- | -- |
| Trust receipts | 24,038 | -- | -- | -- | -- | -- |
| Finance lease liabilities | 395 | 1,136 | 1,823 | 43 | 42 | 126 |
| | 73,874 | 1,136 | 2,647 | 43 | 42 | 126 |
| ***Unsecured*** | | | | | | |
| Revolving credit | 5,000 | 5,000 | 10,000 | 5,000 | 5,000 | 10,000 |
| Term loans | 20,243 | 14,328 | 18,889 | 6,881 | 5,067 | 10,097 |
| Bankers' acceptances | 81,794 | 80,337 | 59,685 | 43,950 | 35,678 | 49,669 |
| Bank overdrafts | -- | 1,702 | 566 | -- | -- | -- |
| Foreign currency trust receipts | 13,317 | -- | 9,258 | -- | -- | -- |
| Short term loan | 16,939 | 913 | 4,275 | -- | -- | -- |
| | 137,293 | 102,280 | 102,673 | 55,831 | 45,745 | 69,766 |
| | 211,167 | 103,416 | 105,320 | 55,874 | 45,787 | 69,892 |
| | 361,757 | 138,008 | 134,829 | 72,938 | 48,493 | 76,746 |

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 26.

**15. LOANS AND BORROWINGS (CONT'D)**

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

| | Future minimum lease payments RM'000 | Interest RM'000 | Present value of minimum lease payments RM'000 |
|---|---|---|---|
| **Group** | | | |
| **31.7.2013** | | | |
| Less than one year | 415 | 20 | 395 |
| Between one and five years | 262 | 11 | 251 |
| | 677 | 31 | 646 |
| **31.7.2012** | | | |
| Less than one year | 1,218 | 82 | 1,136 |
| Between one and five years | 698 | 31 | 667 |
| | 1,916 | 113 | 1,803 |
| **1.8.2011** | | | |
| Less than one year | 1,996 | 173 | 1,823 |
| Between one and five years | 2,004 | 110 | 1,894 |
| | 4,000 | 283 | 3,717 |
| **Company** | | | |
| **31.7.2013** | | | |
| Less than one year | 50 | 7 | 43 |
| Between one and five years | 166 | 9 | 157 |
| | 216 | 16 | 200 |
| **31.7.2012** | | | |
| Less than one year | 50 | 8 | 42 |
| Between one and five years | 217 | 16 | 201 |
| | 267 | 24 | 243 |
| **1.8.2011** | | | |
| Less than one year | 144 | 18 | 126 |
| Between one and five years | 361 | 28 | 333 |
| | 505 | 46 | 459 |

## 16. TRADE AND OTHER PAYABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| Trade payables | 281,567 | 222,988 | 137,655 | 98,571 | 150,554 | 90,323 |
| Other payables and accrued expenses | 93,709 | 49,166 | 44,036 | 13,831 | 20,568 | 16,216 |
| Due to subsidiaries | | | | | | |
| - trade | -- | -- | -- | 26,599 | 39,364 | 17,701 |
| - non-trade | -- | -- | -- | 5 | -- | -- |
| Due to associates | | | | | | |
| - trade | -- | 390 | 89 | -- | 98 | 89 |
| | 375,276 | 272,544 | 181,780 | 139,006 | 210,584 | 124,329 |

Included in other payables and accrued expenses are:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| Property, plant and equipment creditors | 6,540 | 4,004 | 1,967 | 1,993 | 2,628 | 324 |
| Sundry creditors | 19,732 | 11,382 | 9,949 | 4,047 | 5,228 | 3,354 |
| Accrued expenses | 39,021 | 22,340 | 19,960 | 7,791 | 12,712 | 12,538 |
| Progress billings to customers | 28,416 | 11,440 | 12,160 | -- | -- | -- |
| | 93,709 | 49,166 | 44,036 | 13,831 | 20,568 | 16,216 |

## 17. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Interest expense of financial liabilities that are not at fair value through profit or loss | 5,219 | 5,557 | 1,769 | 2,890 |
| Other financing cost | 449 | 302 | 51 | 68 |
| | 5,668 | 5,859 | 1,820 | 2,958 |

## 18. OPERATING PROFIT

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| **Operating profit is arrived at after charging/crediting)** | | | | |
| Audit fees | | | | |
| - KPMG Malaysia | 221 | 209 | 130 | 130 |
| - Other auditors | 586 | 59 | -- | -- |
| - (Over)/Under provided in prior year | (1) | 20 | -- | 15 |
| Non-audit fees | | | | |
| - KPMG Malaysia | 9 | 9 | 9 | 9 |
| Depreciation | 32,658 | 28,475 | 10,113 | 9,582 |
| Amortisation of prepaid lease payments | 23 | -- | -- | -- |
| Allowance for slow moving inventories | 375 | -- | -- | -- |
| Derivative loss on currency forward contracts | 1,181 | 941 | 576 | 584 |
| Inventories written down | -- | 294 | -- | -- |
| Impairment loss/(Reversal of impairment loss) on receivables | 480 | (172) | -- | -- |
| Personnel expenses (including key management personnel): | | | | |
| - Contributions to state plans | 6,957 | 7,362 | 3,704 | 4,136 |
| - Wages, salaries and others | 139,634 | 137,268 | 53,707 | 62,745 |
| - Equity settled share-based transactions | 870 | 2,340 | 464 | 1,481 |
| Rental of premises | 6,083 | 4,228 | 3,991 | 3,518 |
| Loss on dilution of interest in an associate | 5,878 | -- | -- | -- |
| Investments in subsidiaries: | | | | |
| - impairment loss/(reversal of impairment loss) | -- | -- | 1,389 | (6,841) |
| - written off | -- | -- | 26 | -- |
| Foreign exchange: | | | | |
| - Unrealised (gain)/loss | (41) | (696) | 516 | (594) |
| - Realised loss/(gain) | (880) | 1,582 | (632) | 2,033 |
| Property, plant and equipment: | | | | |
| - Written off | 19 | 92 | 19 | 4 |
| - Gain on disposal | (413) | (351) | (404) | (256) |
| Gain on disposal of investment property | (1,860) | -- | (1,860) | -- |
| Bad debts recovered | (120) | (60) | (750) | (18) |
| Interest income: | | | | |
| - Deposits | (929) | (917) | (227) | (360) |
| - Associate | -- | (25) | -- | (25) |
| Rental income | (562) | (454) | (50) | (52) |
| Changes in fair value of investment property | (765) | 12 | -- | -- |

## 18. OPERATING PROFIT (CONT'D)

Key management personnel compensation

The key management personnel compensation are as follows:

| | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|
| Directors | | | | |
| - Fees | 425 | 412 | 412 | 412 |
| - Remuneration | 10,948 | 13,778 | 9,240 | 12,203 |
| - Contributions to state plans | 1,135 | 1,499 | 1,108 | 1,457 |
| - Equity settled share-based transaction | 166 | 432 | 166 | 432 |
| Total short term employee benefits | 12,674 | 16,121 | 10,926 | 14,504 |
| Other key management personnel: | | | | |
| - Wages, salaries and others | 3,668 | 3,380 | 561 | 539 |
| - Contributions to state plans | 177 | 177 | 67 | 65 |
| - Other short term employee benefits | 32 | 29 | 9 | 7 |
| - Equity settled share-based transaction | 81 | 209 | 14 | 36 |
| | 3,958 | 3,795 | 651 | 647 |
| | 16,632 | 19,916 | 11,577 | 15,151 |

The estimated monetary value of Directors' benefit-in-kind of the Group/Company is RM132,000 (2012: RM123,000).

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

**Recognised in profit or loss**

Major components of income tax expense include:

| | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|
| **Current tax expense** | | | | |
| - Malaysian tax | | | | |
| - Current year | 7,439 | 11,326 | 4,030 | 9,877 |
| - Prior year | (266) | 93 | (296) | 197 |
| - Overseas tax | | | | |
| - Current year | 1,490 | 2,774 | -- | -- |
| - Prior year | -- | 11 | -- | -- |
| | 8,663 | 14,204 | 3,734 | 10,074 |

## 19. TAX EXPENSE (CONT'D)

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| **Deferred tax expense/(income)** | | | | |
| - Malaysian tax | | | | |
| - Origination and reversal of temporary differences | 776 | 2,246 | (1,094) | (429) |
| - Prior year | 33 | 108 | 243 | 124 |
| - Overseas tax | | | | |
| - Origination and reversal of temporary differences | 8 | (80) | -- | -- |
| | 817 | 2,274 | (851) | (305) |
| Total tax expense recognised in profit or loss | 9,480 | 16,478 | 2,883 | 9,769 |
| Tax expense on share of profit of an associate | 1,426 | 2,386 | -- | -- |
| Total income tax expense | 10,906 | 18,864 | 2,883 | 9,769 |
| **Reconciliation of tax expense** | | | | |
| Profit for the year | 39,967 | 35,648 | 5,750 | 40,703 |
| Total tax expense | 10,906 | 18,864 | 2,883 | 9,769 |
| Profit before tax | 50,873 | 54,512 | 8,633 | 50,472 |
| Income tax calculated using Malaysian tax rate of 25% | 12,718 | 13,628 | 2,158 | 12,618 |
| Effect of different tax rates in foreign jurisdictions | (185) | (900) | -- | -- |
| Effect of gain arising from acquisition of a subsidiary | (7,603) | -- | -- | -- |
| Deferred tax assets not recognised: | | | | |
| - associate | 1,940 | 4,578 | -- | -- |
| - subsidiaries | 1,481 | (32) | -- | -- |
| Non-deductible expenses | 4,095 | 2,085 | 1,516 | 546 |
| Tax exempt/Non-taxable income | (776) | (9) | (738) | (3,716) |
| Tax incentives | (531) | (728) | -- | -- |
| Others | -- | 30 | -- | -- |
| | 11,139 | 18,652 | 2,936 | 9,448 |
| (Over)/Under provided in prior years | (233) | 212 | (53) | 321 |
| Total tax expense | 10,906 | 18,864 | 2,883 | 9,769 |

## 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:

Profit attributable to ordinary shareholders:

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Continuing operations RM'000 | Discontinued operation RM'000 | Total RM'000 | Continuing operations RM'000 | Discontinued operation RM'000 | Total RM'000 |
| **Group** | | | | | | |
| Profit for the year attributable to owners | 43,910 | -- | 43,910 | 34,055 | 3,335 | 37,390 |

Weighted average number of ordinary shares:

| | 2013 '000 | 2012 '000 |
|---|---|---|
| Issued ordinary shares after deducting treasury shares at 1 August | 182,327 | 182,327 |
| Effect of shares repurchased | (1,115) | (1,015) |
| Weighted average number of ordinary shares at 31 July | 181,212 | 181,312 |
| Basic earnings per ordinary share (sen) | | |
| - From continuing operations | 24.23 | 18.78 |
| - From discontinued operation | -- | 1.84 |
| | 24.23 | 20.62 |

### Diluted earnings per ordinary share

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

## 21. DIVIDENDS

Dividends recognised by the Company are:

| | Sen per share | Total amount RM'000 | Date of payment |
|---|---|---|---|
| **2013** | | | |
| 2012 - Fourth, single tier | 6.0 | 10,873 | 25 October 2012 |
| 2013 - First interim, single tier | 2.0 | 3,624 | 31 January 2013 |
| | | 14,497 | |
| **2012** | | | |
| 2011 - Fourth, single tier | 3.0 | 5,443 | 28 October 2011 |
| 2012 - First interim, single tier | 5.0 | 9,064 | 31 January 2012 |
| 2012 - Second interim, single tier | 2.0 | 3,624 | 3 May 2012 |
| 2012 - Third interim, single tier | 2.0 | 3,624 | 31 July 2012 |
| | | 21,755 | |

## 21. DIVIDENDS (CONT'D)

After the reporting period, the following dividend was declared by the Directors on 27 September 2013. This dividend will be recognised in subsequent financial period.

| | Sen per share | Total amount RM'000 | Date of payment |
|---|---|---|---|
| 2013 - Second interim, single tier | 3.0 | 5,436 | 30 October 2013 |

## 22. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment represents:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Current year additions (Note 3) | 33,930 | 42,397 | 6,929 | 8,679 |
| Less: Amount under credit term (Note 16) | (6,540) | (4,004) | (1,993) | (2,628) |
| Add: Payment in respect of previous year's purchase of property, plant and equipment | 4,004 | 1,967 | 2,628 | 324 |
| | 31,394 | 40,360 | 7,564 | 6,375 |

## 23. ACQUISITION OF A SUBSIDIARY

**V.S. International Group Limited ("VSIG")**

On 10 July 2013, the Group acquired additional 17.19% shares in VSIG for RM32.77 million satisfied in cash, increasing its ownership from 38.06*% to 55.25% resulting in VSIG being consolidated.

On consolidation, for the one month up to 31 July 2013, VSIG contributed revenue of RM44.71 million and net loss of RM5.88 million to the Group.

Had the acquisition of VSIG occurred on 1 August 2012, the management estimates that the pro forma consolidated revenue and profit for the year of the combined Group would be RM1,606 million and RM11.5 million respectively.

In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 August 2012.

The Group's shareholding in VSIG was 43.06% as at 31 July 2012 and was subsequently diluted to 38.06*% due to additional subscriptions of shares in VSIG by third parties, exercise of ESOS and warrants by eligible employees and warrants holders. The effect of the dilution of interest was a loss of RM5.88 million which has been recognised in the statements of profit or loss and other comprehensive income under other expense.

## 23. ACQUISITION OF A SUBSIDIARY (CONT'D)

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

| | Group 2013 RM'000 |
|---|---|
| **Fair value of consideration transferred** | |
| Cash and cash equivalents | 34,181 |
| **Identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment | 289,068 |
| Prepaid lease payments | 78,088 |
| Investment in associates | 9,270 |
| Inventories | 51,482 |
| Trade and other receivables | 124,724 |
| Cash and cash equivalents | 50,398 |
| Loans and borrowings | (187,119) |
| Deferred tax liabilities | (26,557) |
| Trade and other payables | (132,343) |
| Taxation | (4,236) |
| Total identifiable net assets | 252,775 |
| **Net cash inflow arising from acquisition of subsidiary** | |
| Purchase consideration settled in cash and cash equivalents | (34,181) |
| Cash and cash equivalents acquired | 50,398 |
| | 16,217 |

**Negative goodwill**

Negative goodwill was recognised as a result of the acquisition as follows:

| | |
|---|---|
| Total consideration transferred | 34,181 |
| Fair value of previously held equity interest in acquiree | 68,144 |
| | 102,325 |
| Fair value of identifiable net assets | (252,775) |
| Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree | 113,116 |
| Negative goodwill | (37,334) |
| Remeasurement to fair value of the Group's existing interest in the subsidiary | 6,921 |
| | (30,413) |
| Less: Acquisition related costs | 1,959 |
| Net impact of acquisition included in other income | (28,454) |

Negative goodwill arose mainly as a result of the acquiree's share price at the date of acquisition was below the fair value of identifiable net assets per share.

## 24. OPERATING SEGMENTS

**Group**

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

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

**Segment assets**

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

**Segment liabilities**

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

## 24. OPERATING SEGMENTS (CONT'D)

| | Malaysia | | People's Republic of China | | Indonesia | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| **Segment profit** | 31,358 | 53,772 | (5,362) | -- | 4,341 | 10,132 | 30,337 | 63,904 |
| *Included in the measure of segment profit are:* | | | | | | | | |
| Revenue from external customers | 1,019,048 | 1,074,901 | 44,712 | -- | 96,210 | 113,811 | 1,159,970 | 1,188,712 |
| Inter-segment revenue | 356 | 2,110 | -- | -- | -- | -- | 356 | 2,110 |
| Depreciation and amortisation | (25,031) | (24,568) | (3,577) | -- | (3,908) | (3,729) | (32,516) | (28,297) |
| Finance costs | (4,456) | (5,323) | (538) | -- | (505) | (427) | (5,499) | (5,750) |
| Interest income | 667 | 864 | 35 | -- | 227 | 78 | 929 | 942 |
| *Not included in the measure of segment profit but provided to Managing Director* | | | | | | | | |
| Income tax expense | (7,982) | (13,784) | (83) | -- | (1,415) | (2,694) | (9,480) | (16,478) |
| **Segment assets** | 897,805 | 753,571 | 611,417 | -- | 93,380 | 76,923 | 1,602,602 | 830,494 |
| *Included in the measure of segment assets are:* | | | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 16,990 | 27,892 | 2,161 | -- | 23,024 | 14,333 | 42,175 | 42,225 |
| **Segment liabilities** | 430,900 | 398,993 | 358,380 | -- | 47,036 | 37,710 | 836,316 | 436,703 |

**24. OPERATING SEGMENTS (CONT'D)**

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

| | 2013 RM'000 | 2012 RM'000 |
|---|---|---|
| **Profit** | | |
| Total profit for reportable segments | 30,337 | 63,904 |
| Other non-reportable segments | (2,532) | (2,989) |
| Effect of acquisition of a subsidiary (Note 23) | 30,413 | -- |
| Elimination of inter-segment profits | 2,267 | 956 |
| Loss on dilution of interest in an associate | (5,878) | -- |
| Share of loss of associates not included in reportable segments | (5,160) | (13,080) |
| Consolidated profit before tax | 49,447 | 48,791 |

| | 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 |
|---|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | | |
| Total reportable segments | 1,159,970 | (32,516) | (5,499) | 929 | 1,602,602 | -- | 42,175 | 836,316 |
| Other non-reportable segments | 3,941 | (165) | (169) | -- | 6,362 | -- | -- | 19,764 |
| Components not monitored by managing director | -- | -- | -- | -- | -- | 9,021 | -- | -- |
| Elimination of inter-segment transaction or balances | -- | -- | -- | -- | (204,521) | -- | -- | (48,507) |
| Consolidated total | 1,163,911 | (32,681) | (5,668) | 929 | 1,404,443 | 9,021 | 42,175 | 807,573 |
| **2012** | | | | | | | | |
| Total reportable segments | 1,188,712 | (28,297) | (5,750) | 942 | 830,494 | -- | 42,225 | 436,703 |
| Other non-reportable segments | 13,280 | (178) | (109) | -- | 8,165 | -- | 172 | 20,887 |
| Components not monitored by managing director | -- | -- | -- | -- | 61,072 | 86,337 | -- | -- |
| Elimination of inter-segment transaction or balances | -- | -- | -- | -- | (48,745) | -- | -- | (17,525) |
| Consolidated total | 1,201,992 | (28,475) | (5,859) | 942 | 850,986 | 86,337 | 42,397 | 440,065 |

## 24. OPERATING SEGMENTS (CONT'D)

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

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| **Group** | | | | |
| Malaysia | 806,929 | 958,754 | 280,459 | 253,541 |
| Indonesia | 97,652 | 112,967 | 52,521 | 29,940 |
| United Kingdom | 18,694 | 24,616 | -- | -- |
| People's Republic of China | 32,587 | -- | 374,622 | -- |
| Others | 208,049 | 105,655 | 176 | 339 |
| Total | 1,163,911 | 1,201,992 | 707,778 | 283,820 |

**Major customers**

There is a major customer with revenue equal to or more than 10 percent of the Group revenue with details as follows:

| | Revenue | | Segment |
|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | |
| A customer | 639,963 | 770,962 | Malaysia |

## 25. CONTINGENCIES (UNSECURED)

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| (i) Corporate guarantees given to financial institutions in respect of outstanding term loans and banking facilities of subsidiaries | -- | -- | -- | 103,631 | 88,170 | 70,839 |
| (ii) Claim by a third party on land used by a disposed subsidiary for planting of biological assets^ | -- | -- | 32,108 | -- | -- | -- |

**25. CONTINGENCIES (UNSECURED) (CONT'D)**

^ In prior year, PT. GY Plantation Indonesia ('PTGY") was granted the site license to operate its palm oil plantation in 2004 in Indonesia. The site license was issued pending the issuance of the land utilization right and rezoning of land area by the relevant government authorities.

However, a third party previously having beneficial rights to the said land has succeeded in a legal claim in Indonesia for reinstatement of its right to the land.

The Group's entire shareholding in PTGY was disposed during the financial year ended 31 July 2012 (see Note 12).

**26. FINANCIAL INSTRUMENTS**

**26.1 Categories of financial instruments**

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

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

| | Carrying amount RM'000 | L&R RM'000 | FL RM'000 | FVTPL - forward foreign currency contracts RM'000 |
|---|---|---|---|---|
| **31.7.2013** | | | | |
| **Group** | | | | |
| Trade and other receivables | 408,090 | 408,090 | -- | -- |
| Derivative financial assets | 2,436 | -- | -- | 2,436 |
| Cash and cash equivalents | 97,288 | 97,288 | -- | -- |
| Loans and borrowings | (361,757) | -- | (361,757) | -- |
| Trade and other payables | (346,860) | -- | (346,860) | -- |
| Long term payables | (4,322) | -- | (4,322) | -- |
| | (205,125) | 505,378 | (712,939) | 2,436 |
| **Company** | | | | |
| Trade and other receivables | 171,973 | 171,973 | -- | -- |
| Cash and cash equivalents | 10,294 | 10,294 | -- | -- |
| Loans and borrowings | (72,938) | -- | (72,938) | -- |
| Trade and other payables | (139,006) | -- | (139,006) | -- |
| | (29,677) | 182,267 | (211,944) | -- |
| **31.7.2012** | | | | |
| **Group** | | | | |
| Trade and other receivables | 317,572 | 317,572 | -- | -- |
| Cash and cash equivalents | 58,680 | 58,680 | -- | -- |
| Loans and borrowings | (138,008) | -- | (138,008) | -- |
| Trade and other payables | (261,104) | -- | (261,104) | -- |
| Long term payables | (4,322) | -- | (4,322) | -- |
| | (27,182) | 376,252 | (403,434) | -- |
| **Company** | | | | |
| Trade and other receivables | 240,441 | 240,441 | -- | -- |
| Cash and cash equivalents | 9,036 | 9,036 | -- | -- |
| Loans and borrowings | (48,493) | -- | (48,493) | -- |
| Trade and other payables | (210,584) | -- | (210,584) | -- |
| | (9,600) | 249,477 | (259,077) | -- |

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.1 Categories of financial instruments (cont'd)

| | Carrying amount RM'000 | L&R RM'000 | FL RM'000 | FVTPL - forward foreign currency contracts RM'000 |
|---|---|---|---|---|
| **1.8.2011** | | | | |
| **Group** | | | | |
| Trade and other receivables | 203,250 | 203,250 | -- | -- |
| Cash and cash equivalents | 71,853 | 71,853 | -- | -- |
| Loans and borrowings | (134,829) | -- | (134,829) | -- |
| Trade and other payables | (169,620) | -- | (169,620) | -- |
| Long term payables | (4,322) | -- | (4,322) | -- |
| | (33,668) | 275,103 | (308,771) | -- |
| **Company** | | | | |
| Trade and other receivables | 144,710 | 144,710 | -- | -- |
| Cash and cash equivalents | 43,444 | 43,444 | -- | -- |
| Loans and borrowings | (76,746) | -- | (76,746) | -- |
| Trade and other payables | (124,329) | -- | (124,329) | -- |
| | (12,921) | 188,154 | (201,075) | -- |

### 26.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Net losses arising on: | | | | |
| Fair value through profit or loss: | | | | |
| - forward foreign currency contracts | (1,181) | (941) | (576) | (584) |
| Loans and receivables | 1,490 | 288 | 1,094 | (1,036) |
| Financial liabilities measured at amortised cost | (5,668) | (5,859) | (1,820) | (2,958) |
| | (5,359) | (6,512) | (1,302) | (4,578) |

### 26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

**26. FINANCIAL INSTRUMENTS (CONT'D)**

**26.4 Credit risk**

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

**Receivables**

*Risk management objectives, policies and processes for managing the risk*

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

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Group and the Company have significant concentration of credit risk arising from amounts due from two major customers, representing 55% and 97% (31.7.2012: 74% and 92%; 1.8.2011: 62% and 90%) of the Group's and of the Company's trade receivables respectively.

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

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 | | |
|---|---|---|---|---|---|---|
| | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 | 31.7.2013 RM'000 | 31.7.2012 RM'000 | 1.8.2011 RM'000 |
| Malaysia | 183,985 | 250,599 | 138,739 | 150,750 | 231,109 | 119,947 |
| Indonesia | 19,274 | 19,899 | 24,699 | -- | -- | -- |
| People's Republic of China | 63,897 | -- | -- | -- | -- | -- |
| United States of America | 60,963 | 12,500 | -- | -- | -- | -- |
| Others | 47,908 | 17,135 | 24,276 | 10 | 128 | -- |
| | 376,027 | 300,133 | 187,714 | 150,760 | 231,237 | 119,947 |

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.4 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 at the end of the reporting period was:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Gross RM'000 | Individual impairment RM'000 | Net RM'000 | Gross RM'000 | Individual impairment RM'000 | Net RM'000 |
| **31.7.2013** | | | | | | |
| Not past due | 310,447 | -- | 310,447 | 121,870 | -- | 121,870 |
| Past due 1 - 30 days | 52,879 | -- | 52,879 | 28,823 | -- | 28,823 |
| Past due 31 - 60 days | 4,176 | -- | 4,176 | 61 | -- | 61 |
| Past due 61 - 90 days | 2,545 | (469) | 2,076 | -- | -- | -- |
| Past due more than 90 days | 5,980 | (3,632) | 2,348 | 6 | -- | 6 |
| | 376,027 | (4,101) | 371,926 | 150,760 | -- | 150,760 |
| **31.7.2012** | | | | | | |
| Not past due | 244,909 | -- | 244,909 | 189,768 | -- | 189,768 |
| Past due 1 - 30 days | 52,772 | -- | 52,772 | 41,268 | -- | 41,268 |
| Past due 31 - 60 days | 1,122 | -- | 1,122 | 195 | -- | 195 |
| Past due 61 - 90 days | 158 | -- | 158 | -- | -- | -- |
| Past due more than 90 days | 1,172 | (811) | 361 | 6 | -- | 6 |
| | 300,133 | (811) | 299,322 | 231,237 | -- | 231,237 |
| **1.8.2011** | | | | | | |
| Not past due | 164,534 | -- | 164,534 | 118,500 | -- | 118,500 |
| Past due 1 - 30 days | 17,662 | -- | 17,662 | 1,419 | -- | 1,419 |
| Past due 31 - 60 days | 1,993 | -- | 1,993 | 22 | -- | 22 |
| Past due 61 - 90 days | 3,021 | (592) | 2,429 | -- | -- | -- |
| Past due more than 90 days | 504 | (493) | 11 | 6 | -- | 6 |
| | 187,714 | (1,085) | 186,629 | 119,947 | -- | 119,947 |

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.4 Credit risk (cont'd)

**Receivables (cont'd)**

*Impairment losses (cont'd)*

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2013<br>RM'000 | 2012<br>RM'000 | 2013<br>RM'000 | 2012<br>RM'000 |
| At 1 August 2012/2011 | 811 | 1,085 | -- | -- |
| Acquisition through business combination | 2,777 | -- | -- | -- |
| Impairment loss recognised | 480 | -- | -- | -- |
| Impairment loss reversed | -- | (172) | -- | -- |
| Impairment loss written off | -- | (123) | -- | -- |
| Exchange differences | 33 | 21 | -- | -- |
| At 31 July | 4,101 | 811 | -- | -- |

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.

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 RM103.6 million (2012: RM88.2 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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.

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.4 Credit risk (cont'd)

**Inter company balances (cont'd)**

*Exposure to credit risk, credit quality and collateral*

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

*Impairment losses*

The movements of impairment losses of loans to subsidiaries during the financial year were:

| | Company | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| At 1 August | -- | 12,155 |
| Impairment loss written off | -- | (12,155) |
| At 31 July | -- | -- |

### 26.5 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.

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.5 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 |
|---|---|---|---|---|---|---|---|
| **31.7.2013** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Secured finance lease liabilities | 646 | 2.99 – 3.57 | 677 | 415 | 146 | 116 | -- |
| Secured term loans | 107,558 | 3.30 | 112,691 | 13,907 | 15,844 | 82,940 | -- |
| Secured bank overdrafts | 10,029 | 6.50 | 10,678 | 10,678 | -- | -- | -- |
| Secured short term loan | 26,438 | 3.80 – 7.20 | 28,340 | 28,340 | -- | -- | -- |
| Secured trust receipts | 24,038 | 1.80 | 24,143 | 24,143 | -- | -- | -- |
| Unsecured short term loan | 16,939 | 3.80 – 7.20 | 18,088 | 18,088 | -- | -- | -- |
| Unsecured term loans | 75,998 | 3.16 – 9.87 | 95,416 | 24,058 | 18,190 | 45,517 | 7,651 |
| Unsecured revolving credit | 5,000 | 4.61 | 5,000 | 5,000 | -- | -- | -- |
| Unsecured bankers' acceptances | 81,794 | 1.20 – 3.75 | 81,794 | 81,794 | -- | -- | -- |
| Unsecured trust receipts | 13,317 | 1.00 – 2.00 | 13,317 | 13,317 | -- | -- | -- |
| Due to Directors | 4,322 | -- | 4,322 | -- | -- | -- | 4,322 |
| Trade and other payables | 346,860 | -- | 346,860 | 346,860 | -- | -- | -- |
| | 712,939 | | 741,326 | 566,600 | 34,180 | 128,573 | 11,973 |
| *Derivative financial liabilities* | | | | | | | |
| Forward exchange contracts (gross settled): | | | | | | | |
| Outflow | -- | | 120,377 | 120,377 | -- | -- | -- |
| Inflow | (2,436) | | (122,813) | (122,813) | -- | -- | -- |
| | 710,503 | | 738,890 | 564,164 | 34,180 | 128,573 | 11,973 |
| **31.7.2012** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Secured finance lease liabilities | 1,803 | 2.17 – 5.70 | 1,916 | 1,218 | 423 | 258 | 17 |
| Unsecured short term loan | 913 | 6.50 | 943 | 943 | -- | -- | -- |
| Unsecured term loans | 48,253 | 3.17 – 6.50 | 53,489 | 15,064 | 12,313 | 19,868 | 6,244 |
| Unsecured revolving credit | 5,000 | 4.61 | 5,000 | 5,000 | -- | -- | -- |
| Unsecured bankers' acceptances | 80,337 | 1.21 – 4.21 | 80,337 | 80,337 | -- | -- | -- |
| Unsecured bank overdrafts | 1,702 | 7.30 – 7.60 | 1,702 | 1,702 | -- | -- | -- |
| Due to Directors | 4,322 | -- | 4,322 | -- | -- | -- | 4,322 |
| Trade and other payables | 261,104 | -- | 261,104 | 261,104 | -- | -- | -- |
| | 403,434 | | 408,813 | 365,368 | 12,736 | 20,126 | 10,583 |

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.5 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 |
|---|---|---|---|---|---|---|---|
| **1.8.2011** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Secured finance lease liabilities | 3,717 | 2.50 – 5.70 | 4,000 | 1,996 | 1,467 | 452 | 85 |
| Secured term loans | 1,403 | 6.50 – 7.50 | 1,485 | 891 | 594 | -- | -- |
| Unsecured term loans | 50,200 | 4.05 – 4.71 | 53,810 | 24,778 | 14,005 | 12,583 | 2,444 |
| Unsecured trust receipts | 9,258 | 1.08 | 9,258 | 9,258 | -- | -- | -- |
| Unsecured revolving credit | 10,000 | 4.56 | 10,000 | 10,000 | -- | -- | -- |
| Unsecured bankers' acceptances | 59,685 | 1.21 – 4.21 | 59,685 | 59,685 | -- | -- | -- |
| Unsecured bank overdrafts | 566 | 7.45 | 566 | 566 | -- | -- | -- |
| Due to Directors | 4,322 | -- | 4,322 | -- | -- | -- | 4,322 |
| Trade and other payables | 169,620 | -- | 169,620 | 169,620 | -- | -- | -- |
| | 308,771 | | 312,746 | 276,794 | 16,066 | 13,035 | 6,851 |
| **Company** | | | | | | | |
| **31.7.2013** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Secured finance lease liabilities | 200 | 3.57 | 216 | 50 | 50 | 116 | -- |
| Unsecured term loans | 23,788 | 4.05 – 5.25 | 26,799 | 7,991 | 5,138 | 13,670 | -- |
| Unsecured revolving credit | 5,000 | 4.61 | 5,000 | 5,000 | -- | -- | -- |
| Unsecured bankers' acceptances | 43,950 | 1.20 – 3.75 | 43,950 | 43,950 | -- | -- | -- |
| Trade and other payables | 139,006 | -- | 139,006 | 139,006 | -- | -- | -- |
| | 211,944 | | 214,971 | 195,997 | 5,188 | 13,786 | -- |
| **31.7.2012** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Secured finance lease liabilities | 243 | 3.57 | 267 | 50 | 50 | 150 | 17 |
| Unsecured term loans | 7,572 | 4.05 – 4.85 | 8,272 | 5,507 | 2,130 | 635 | -- |
| Unsecured revolving credit | 5,000 | 4.61 | 5,000 | 5,000 | -- | -- | -- |
| Unsecured bankers' acceptances | 35,678 | 1.21 – 4.21 | 35,678 | 35,678 | -- | -- | -- |
| Trade and other payables | 210,584 | -- | 210,584 | 210,584 | -- | -- | -- |
| | 259,077 | | 259,801 | 256,819 | 2,180 | 785 | 17 |

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.5 Liquidity risk (cont'd)

| Company | Carrying amount RM'000 | Contractual interest rate/ coupon % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | Over 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **1.8.2011** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Secured finance lease liabilities | 459 | 2.50 – 3.57 | 505 | 144 | 144 | 150 | 67 |
| Unsecured term loans | 16,618 | 4.05 – 6.05 | 17,534 | 10,642 | 4,247 | 2,645 | -- |
| Unsecured revolving credit | 10,000 | 4.56 | 10,000 | 10,000 | -- | -- | -- |
| Unsecured bankers' acceptances | 49,669 | 1.21 – 4.21 | 49,669 | 49,669 | -- | -- | -- |
| Trade and other payables | 124,329 | -- | 124,329 | 124,329 | -- | -- | -- |
| | 201,075 | | 202,037 | 194,784 | 4,391 | 2,795 | 67 |

### 26.6 Market risk

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

**Currency risk**

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

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 exposure to these currencies are not considered significant to the Group as their usage are not extensive.

*Risk management objectives, policies and processes for managing the risk*

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

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.6 Market risk (cont'd)

**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 RM'000 | Company RM'000 |
| **31.7.2013** | | |
| Trade and other receivables | 128,719 | 11,572 |
| Cash and cash equivalents | 42,521 | 6,293 |
| Trade and other payables | (119,410) | (36,827) |
| Unsecured trust receipt | (7,621) | -- |
| Unsecured short term loan | (8,035) | -- |
| Secured trust receipts | (24,038) | -- |
| Secured term loans | (107,558) | -- |
| Forward foreign currency contracts | | |
| - outflow | (120,377) | -- |
| - inflow | 122,813 | -- |
| **Net exposure** | (92,986) | (18,962) |
| **31.7.2012** | | |
| Trade and other receivables | 43,894 | 5,518 |
| Cash and cash equivalents | 20,466 | 2,201 |
| Trade and other payables | (94,900) | (60,856) |
| Unsecured term loans | (11,758) | -- |
| Unsecured short term loan | (913) | -- |
| Secured finance lease liabilities | (209) | -- |
| **Net exposure** | (43,420) | (53,137) |
| **1.8.2011** | | |
| Trade and other receivables | 77,175 | 20,263 |
| Cash and cash equivalents | 9,813 | 144 |
| Trade and other payables | (53,357) | (24,892) |
| Unsecured trust receipts | (9,258) | -- |
| Secured term loans | (5,678) | -- |
| Secured finance lease liabilities | (667) | -- |
| **Net exposure** | 18,028 | (4,485) |

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.6 Market risk (cont'd)

*Currency risk sensitivity analysis*

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

A 10% (2012: 10%) strengthening of the RM against the following currency at the end of the reporting period would have increased 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** |
| **2013** | | |
| Profit or (loss) | 6,974 | 1,422 |
| **2012** | | |
| Profit or (loss) | 3,257 | 3,985 |

A 10% (2012: 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.

**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 | | |
|---|---|---|---|---|---|---|
| | **31.7.2013 RM'000** | **31.7.2012 RM'000** | **1.8.2011 RM'000** | **31.7.2013 RM'000** | **31.7.2012 RM'000** | **1.8.2011 RM'000** |
| **Fixed rate instruments** | | | | | | |
| Financial assets | 21,416 | 20,538 | 20,888 | 169 | 163 | 10,768 |
| Financial liabilities | (140,252) | (87,140) | (85,126) | (49,150) | (40,921) | (62,704) |
| | (118,836) | (66,602) | (64,238) | (48,981) | (40,758) | (51,936) |
| **Floating rate instruments** | | | | | | |
| Financial liabilities | (221,505) | (50,868) | (49,703) | (23,788) | (7,572) | (14,042) |

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.6 Market risk (cont'd)

*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 RM1,661,000 (2012: RM382,000) and RM178,000 (2012: RM57,000) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

### 26.7 Fair value of financial instruments

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

The carrying amount of floating rates term loans approximate its fair value as its effective interest rate changes accordingly to movements in the market interest rate.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | 31.7.2013 | | 31.7.2012 | | 1.8.2011 | |
|---|---|---|---|---|---|---|
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| **Group** | | | | | | |
| **Financial liabilities** | | | | | | |
| Unsecured term loans | -- | -- | -- | -- | 3,975 | 3,906 |
| Secured finance lease liabilities | 646 | 623 | 1,803 | 1,689 | 3,717 | 3,664 |
| Forward exchange contracts: | | | | | | |
| Assets | 2,436 | 2,436 | -- | -- | -- | -- |
| **Company** | | | | | | |
| **Financial liabilities** | | | | | | |
| Unsecured term loans | -- | -- | -- | -- | 2,574 | 2,574 |
| Secured finance lease liabilities | 200 | 187 | 243 | 245 | 459 | 469 |

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.7 Fair value of financial instruments (cont'd)

*Derivatives*

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted market price is not available, then fair value 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).

*Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases the market rate of interest is determined by reference to similar lease agreements.

*Interest rates used to determine fair value*

The interest rates used to discount estimated cash flows, when applicable, are as follows:

| | | Group | | | Company | |
|---|---|---|---|---|---|---|
| | 31.7.2013<br>% | 31.7.2012<br>% | 1.8.2011<br>% | 31.7.2013<br>% | 31.7.2012<br>% | 1.8.2011<br>% |
| Unsecured term loans | 7.30 | 7.30 | 7.30 | -- | -- | -- |
| Secured finance lease liabilities | 2.60 - 7.50 | 2.60 - 7.50 | 2.60 - 7.20 | 2.60 | 2.60 | 2.60 |

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 2/<br>Total<br>RM'000 |
|---|---|
| **Group** | |
| **31.7.2013** | |
| **Financial assets** | |
| Forward exchange contracts | 2,436 |

## 27. CAPITAL MANAGEMENT

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

The debt-to-equity ratios at 31 July 2013 and 31 July 2012 were as follows:

| | | Group | |
|---|---|---|---|
| | **31.7.2013 RM'000** | **31.7.2012 RM'000** | **1.8.2011 RM'000** |
| Total loans and borrowings (Note 15) | 361,757 | 138,008 | 134,829 |
| Less: Cash and cash equivalents (Note 11) | (97,288) | (58,680) | (71,853) |
| Net debt | 264,469 | 79,328 | 62,976 |
| Total equity attributable to owners of the Company | 479,646 | 410,491 | 393,609 |
| Debt-to-equity ratio | 0.55 | 0.19 | 0.16 |

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

## 28. CAPITAL COMMITMENTS

| | | Group | |
|---|---|---|---|
| | **31.7.2013 RM'000** | **31.7.2012 RM'000** | **1.8.2011 RM'000** |
| **Property, plant and equipment** | | | |
| Contracted but not provided for | 3,311 | 14,693 | 6,266 |

## 29. OPERATING LEASE COMMITMENTS

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

| | | Group | |
|---|---|---|---|
| | **31.7.2013 RM'000** | **31.7.2012 RM'000** | **1.8.2011 RM'000** |
| Within one year | 2,368 | -- | -- |
| Two to five years | 63 | -- | -- |
| | 2,431 | -- | -- |

## 30. RELATED PARTIES

### Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. 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 the entities as shown below and key management personnel as disclosed in Note 18.

### Significant related party transactions

The significant related party transactions of the Group and the Company are shown below.

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| **A. Subsidiaries** | | | | |
| Sales of goods | -- | -- | 29,110 | 3,799 |
| Sales of plant and equipment | -- | -- | 392 | 85 |
| Purchases of goods | -- | -- | 161,577 | 170,974 |
| Purchase of plant and equipment | -- | -- | -- | 15 |
| Loan to subsidiaries | -- | -- | 4,006 | 2,558 |
| Rental expense | -- | -- | 186 | 536 |
| **B. Associates** | | | | |
| Purchases of goods | 1,207 | 1,607 | -- | 99 |
| Purchase of plant and equipment | -- | 3,685 | -- | -- |
| Interest income | -- | 25 | -- | 25 |
| Sales commission income | -- | 25 | -- | -- |
| **C. Companies which are wholly - owned by close family member of certain Directors** | | | | |
| Outstanding balances: | | | | |
| - due to | 317 | 295 | -- | -- |
| - due from | 552 | 897 | -- | -- |
| Purchases of tooling | 1,815 | 2,537 | -- | -- |
| Sales commission income | 1,417 | 1,151 | -- | -- |
| **D. A company in which certain Directors have substantial financial interest** | | | | |
| Rental expense | 233 | 233 | -- | 233 |

## 30. RELATED PARTIES (CONT'D)

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| **E. Companies in which a major shareholder has financial interest** | | | | |
| Purchases of goods | 4,719 | 4,580 | 1,105 | 9 |
| Outstanding balances | 743 | 708 | 411 | -- |
| **F. Remuneration paid to staff who are close family member of certain Directors** | 804 | 699 | 269 | 225 |
| **G. A company controlled by a Director** | | | | |
| Operating lease charges and management fee expense | 328 | -- | -- | -- |
| Outstanding balances: | | | | |
| - due to | 483 | -- | -- | -- |
| - due from | 792 | -- | -- | -- |
| **H. A company controlled by the family member of a Director** | | | | |
| Sub-contracting fee expense | 955 | -- | -- | -- |
| Outstanding balances | 1,084 | -- | -- | -- |

## 31. EXPLANATION OF TRANSITION TO MFRSS

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 July 2013, the comparative information presented in these financial statements for the financial year ended 31 July 2012 and in the preparation of the opening MFRS statement of financial position at 1 August 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have a financial impact to the separate financial statements of the Company.

In preparing the opening statement of financial position at 1 August 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs.

## 31. EXPLANATION OF TRANSITION TO MFRSS (CONT'D)

An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

### 31.1 Reconciliation of financial position

| Group | 1.8.2011 FRSs RM'000 | 1.8.2011 Effect of Transition to MFRSs RM'000 | 1.8.2011 Reclassifi -cation* RM'000 | 1.8.2011 MFRSs RM'000 | 31.7.2012 FRSs RM'000 | 31.7.2012 Effect of Transition to MFRSs RM'000 | 31.7.2012 Reclassifi -cation* RM'000 | 31.7.2012 MFRSs RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Property, plant and equipment | 264,552 | -- | (1,118) | 263,434 | 274,520 | -- | (1,082) | 273,438 |
| Prepaid lease payments | -- | -- | 571 | 571 | -- | -- | 547 | 547 |
| Investment properties | 9,300 | -- | 547 | 9,847 | 9,300 | -- | 535 | 9,835 |
| Investments in associates | 91,977 | -- | -- | 91,977 | 86,337 | -- | -- | 86,337 |
| Deferred tax assets | -- | 1,176 | -- | 1,176 | -- | -- | -- | -- |
| **Total non-current assets** | 365,829 | 1,176 | -- | 367,005 | 370,157 | -- | -- | 370,157 |
| Inventories | 87,227 | -- | -- | 87,227 | 104,577 | -- | -- | 104,577 |
| Trade and other receivables | 203,250 | -- | -- | 203,250 | 317,572 | -- | -- | 317,572 |
| Cash and cash equivalents | 71,853 | -- | -- | 71,853 | 58,680 | -- | -- | 58,680 |
| | 362,330 | -- | -- | 362,330 | 480,829 | -- | -- | 480,829 |
| Assets classified as held for sale | 42,831 | -- | -- | 42,831 | -- | -- | -- | -- |
| **Total current assets** | 405,161 | -- | -- | 405,161 | 480,829 | -- | -- | 480,829 |
| **Total assets** | 770,990 | 1,176 | -- | 772,166 | 850,986 | -- | -- | 850,986 |

## 31. EXPLANATION OF TRANSITION TO MFRSS (CONT'D)

### 31.1 Reconciliation of financial position (cont'd)

| Group | 1.8.2011 FRSs RM'000 | 1.8.2011 Effect of Transition to MFRSs RM'000 | 1.8.2011 Reclassifi -cation* RM'000 | 1.8.2011 MFRSs RM'000 | 31.7.2012 FRSs RM'000 | 31.7.2012 Effect of Transition to MFRSs RM'000 | 31.7.2012 Reclassifi -cation* RM'000 | 31.7.2012 MFRSs RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Equity** | | | | | | | | |
| Share capital | 182,327 | -- | -- | 182,327 | 182,327 | -- | -- | 182,327 |
| Reserves | 222,582 | 4,225 | (15,525) | 211,282 | 225,164 | 3,000 | -- | 228,164 |
| Amount recognised directly in equity relating to asset held for sale | (15,525) | -- | 15,525 | -- | -- | -- | -- | -- |
| **Total equity attributable to owners of the Company** | 389,384 | 4,225 | -- | 393,609 | 407,491 | 3,000 | -- | 410,491 |
| **Non-controlling interests** | 13,612 | -- | -- | 13,612 | 430 | -- | -- | 430 |
| **Total equity** | 402,996 | 4,225 | -- | 407,221 | 407,921 | 3,000 | -- | 410,921 |
| **Liabilities** | | | | | | | | |
| Long term payables | 4,322 | -- | -- | 4,322 | 4,322 | -- | -- | 4,322 |
| Loans and borrowings | 29,509 | -- | -- | 29,509 | 34,592 | -- | -- | 34,592 |
| Deferred tax liabilities | 26,038 | (3,049) | -- | 22,989 | 27,046 | (3,000) | -- | 24,046 |
| **Total non-current liabilities** | 59,869 | (3,049) | -- | 56,820 | 65,960 | (3,000) | -- | 62,960 |
| Trade and other payables | 181,780 | -- | -- | 181,780 | 272,544 | -- | -- | 272,544 |
| Loans and borrowings | 105,320 | -- | -- | 105,320 | 103,416 | -- | -- | 103,416 |
| Taxation | 3,769 | -- | -- | 3,769 | 1,145 | -- | -- | 1,145 |
| | 290,869 | -- | -- | 290,869 | 377,105 | -- | -- | 377,105 |
| Liabilities classified as held for sale | 17,256 | -- | -- | 17,256 | -- | -- | -- | -- |
| **Total current liabilities** | 308,125 | -- | -- | 308,125 | 377,105 | -- | -- | 377,105 |
| **Total liabilities** | 367,994 | (3,049) | -- | 364,945 | 443,065 | (3,000) | -- | 440,065 |
| **Total equity and liabilities** | 770,990 | 1,176 | -- | 772,166 | 850,986 | -- | -- | 850,986 |

* Comparative figures have been restated to conform with current year presentation.

## 31. EXPLANATION OF TRANSITION TO MFRSS (CONT'D)

### 31.2 Reconciliation of statements of profit or loss and other comprehensive income for the year ended 31 July 2012

| Group | FRSs RM'000 | Effect of Transition to MFRSs RM'000 | MFRSs RM'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | | | |
| Goods sold | 1,201,992 | -- | 1,201,992 |
| Cost of goods sold | (1,055,020) | -- | (1,055,020) |
| **Gross profit** | 146,972 | -- | 146,972 |
| Other income | 3,612 | -- | 3,612 |
| Distribution expenses | (24,607) | -- | (24,607) |
| Administrative expenses | (55,617) | -- | (55,617) |
| Other expenses | (3,572) | -- | (3,572) |
| **Results from operating activities** | 66,788 | -- | 66,788 |
| Interest income | 942 | -- | 942 |
| Finance costs | (5,859) | -- | (5,859) |
| **Net finance costs** | (4,917) | -- | (4,917) |
| **Operating profit** | 61,871 | -- | 61,871 |
| Share of loss of equity accounted associate, net of tax | (13,080) | -- | (13,080) |
| **Profit before tax** | 48,791 | -- | 48,791 |
| Tax expense | (15,253) | (1,225) | (16,478) |
| **Profit from continuing operations** | 33,538 | (1,225) | 32,313 |
| **Discontinued operation** | | | |
| Profit from discontinued operation, net of tax | 3,335 | -- | 3,335 |
| **Profit for the year** | 36,873 | (1,225) | 35,648 |
| **Other comprehensive expense, net of tax** | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Foreign currency translation differences for foreign operations | (809) | -- | (809) |
| **Other comprehensive expense for the year** | (809) | -- | (809) |
| **Total comprehensive income for the year** | 36,064 | (1,225) | 34,839 |

## 31. EXPLANATION OF TRANSITION TO MFRSS (CONT'D)

### 31.2 Reconciliation of statements of profit or loss and other comprehensive income for the year ended 31 July 2012 (cont'd)

| Group | FRSs RM'000 | Effect of Transition to MFRSs RM'000 | MFRSs RM'000 |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Owners of the Company | 38,615 | (1,225) | 37,390 |
| Non-controlling interests | (1,742) | -- | (1,742) |
| **Profit for the year** | 36,873 | (1,225) | 35,648 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | 37,782 | (1,225) | 36,557 |
| Non-controlling interests | (1,718) | -- | (1,718) |
| **Total comprehensive income for the year** | 36,064 | (1,225) | 34,839 |

### 31.3 Material adjustments to the statements of cash flows for 2012

There are no material differences between the statements of cash flows presented under MFRSs and the statements of cash flows presented under FRSs.

### 31.4 Notes to reconciliations

**(a) Deferred tax on tax incentives**

Under FRSs, unutilised reinvestment allowance is treated as tax base of an asset and is recognised as a reduction of tax expense in profit or loss as and when they are utilised.

Upon transition to MFRSs, unutilised reinvestment allowance, 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 which the unutilised tax incentive can be utilised.

The impact arising from the change is summarised as follows:

| | 1.8.2011 RM'000 | 31.7.2012 RM'000 |
|---|---|---|
| **Statements of profit or loss and other comprehensive income** | | |
| Tax expense | | (1,225) |
| **Statements of financial position** | | |
| Deferred tax assets | 1,176 | -- |
| Deferred tax liabilities | 3,049 | 3,000 |
| **Adjustment to retained earnings** | 4,225 | 3,000 |

## 31. EXPLANATION OF TRANSITION TO MFRSS (CONT'D)

### 31.4 Notes to reconciliations (cont'd)

**(b) Foreign currency translation differences**

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the exchange fluctuation reserve in equity.

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition with the corresponding adjustment to retained earnings.

| | Group | | | |
|---|---|---|---|---|
| | 1.8.2011 | | 31.7.2012 | |
| | As restated RM'000 | As previously stated RM'000 | As restated RM'000 | As previously stated RM'000 |
| **Consolidated statement of changes in equity** | | | | |
| Exchange fluctuation reserve | -- | 10,973 | (833) | 10,140 |

**32. 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 | |
|---|---|---|---|---|
| | **2013 RM'000** | **2012 RM'000** | **2013 RM'000** | **2012 RM'000** |
| Total retained earnings of the Company and its subsidiaries: | | | | |
| - realised | 125,354 | 119,263 | 76,462 | 84,450 |
| - unrealised | (17,057) | (15,152) | (7,057) | (6,673) |
| | 108,297 | 104,111 | 69,405 | 77,777 |
| Total retained earnings from associates | | | | |
| - realised | (4,972) | 17,247 | -- | -- |
| - unrealised | -- | (1,510) | -- | -- |
| | (4,972) | 15,737 | -- | -- |
| | 103,325 | 119,848 | 69,405 | 77,777 |
| Add: Consolidation adjustments | 122,992 | 46,340 | -- | -- |
| Total retained earnings | 226,317 | 166,188 | 69,405 | 77,777 |

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 2013 RM'000 | Date of Last Revaluation (R) / Acquisition (A) |
|---|---|---|---|---|---|---|
| **V.S. INDUSTRY BERHAD** | | | | | | |
| PTB 11133<br>72, 72A-B, Jalan Padi 1<br>Tampoi Commercial Centre<br>Bandar Baru Uda<br>81200 Tampoi, Johor Bahru<br>Johor Darul Takzim | 0.04 | 5,280 | Rented out (3-storey shop office) | Freehold (21 years) | 900 | 31-Jul-13 (R) |
| PTD 42659 & 42660<br>Senai Industrial Estate<br>(Phase III), 81400 Senai<br>Johor Darul Takzim | 2.28 | 93,371 | Three (3) blocks of 5-storey hostel | Leasehold for 99 years expiring on 07/09/2094 (2-17 years) | 5,881 | 31-Jul-13 (R) |
| 88447, Jalan Murni 12<br>Taman Perindustrian Murni<br>81400 Senai<br>Johor Darul Takzim | 12.26 | 462,101 | Factory/ office (2-storey) | Freehold (7-10 years) | 66,300 | 31-Jul-13 (R) |
| PTD 86366, Jalan Murni 8<br>Taman Perindustrian Murni<br>81400 Senai<br>Johor Darul Takzim | 1.76 | - | Parking lot | Freehold | 2,900 | 31-Jul-13 (R) |
| Parent Lot No 46967<br>51, Jalan Mewah Utama 1/4<br>Bandar Putra, 81000 Kulai<br>Johor Darul Takzim | 0.09 | 2,622 | Hostel (cluster home) | Freehold (5 years) | 500 | 31-Jul-13 (R) |
| **V.S. PLUS SDN. BHD.** | | | | | | |
| PTD 8823 - PLO 39<br>Jalan Perindustrian 4<br>Senai Industrial Estate<br>(Phase II), 81400 Senai<br>Johor Darul Takzim | 3.31 | 275,384 | Factory/ office (4-storey) | Leasehold for 60 years expiring on 01/06/2051 (21 years) | 27,000 | 31-Jul-13 (R) |
| PTD 8811 - PLO 46<br>Jalan Perindustrian 1<br>Senai Industrial Estate<br>(Phase II), 81400 Senai<br>Johor Darul Takzim | 1.55 | 54,807 | Warehouse (2-storey) | Leasehold for 60 years expiring on 14/05/2050 (20 years) | 6,500 | 31-Jul-13 (R) |
| PTD 65013 - PLO 129<br>Jalan Cyber 5<br>Senai Industrial Estate<br>(Phase III), 81400 Senai<br>Johor Darul Takzim | 1.00 | 27,226 | Factory/ office (1-storey with mezzanine floor) | Leasehold for 60 years expiring on 23/11/2059 (16 years) | 3,600 | 31-Jul-13 (R) |

| 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 2013 RM'000 | Date of Last Revaluation (R) / Acquisition (A) |
|---|---|---|---|---|---|---|
| **V.S. PLUS SDN. BHD.** | | | | | | |
| PTD 104700 - PLO 116 & PLO 174, Jalan Cyber 5 Senai Industrial Estate (Phase 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 (16 years) | 5,740 | 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 (3 years) | 33,000 | 31-Jul-13 (R) |
| **V.S. ELECTRONICS SDN. BHD.** | | | | | | |
| PTD 8816 - PLO 47 Jalan Perindustrian 1 Senai Industrial Estate (Phase II), 81400 Senai Johor Darul Takzim | 3.30 | 185,039 | Factory/ office (5-storey) | Leasehold for 60 years expiring on 14/05/2050 (17 years) | 21,300 | 31-Jul-13 (R) |
| **V.S. TECHNOLOGY SDN. BHD.** | | | | | | |
| PTD 8799 - PLO 7 Jalan Perindustrian Senai Industrial Estate (Phase I), 81400 Senai Johor Darul Takzim | 1.19 | 55,640 | Factory/ office (2-storey) | Leasehold for 60 years expiring on 11/02/2047 (26 years) | 6,230 | 31-Jul-13 (R) |
| **V.S. ASHIN TECHNOLOGY SDN. BHD.** | | | | | | |
| 72061- PLO 121, Jalan Cyber 5 Senai Industrial Estate (Phase III), 81400 Senai Johor Darul Takzim | 1.00 | 27,900 | Rented out (1-storey with mezzanine floor) | Leasehold for 60 years expiring on 15/06/2064 (13 years) | 3,600 | 31-Jul-13 (R) |
| **PT. V. S. TECHNOLOGY INDONESIA** | | | | | | |
| Jalan Jababeka IV E, Blok V 78K Kawasan Industri Jababeka Cikarang Pasirgombong Lemahabang Bekasi, 17550 Indonesia | 0.72 | 40,106 | Factory/ office (2-storey) | Leasehold for 30 years expiring on 24/09/2023 (11 years) | 3,057 | 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 2013 RM'000 | Date of Last Revaluation (R) / Acquisition (A) |
|---|---|---|---|---|---|---|
| **PT. V. S. TECHNOLOGY INDONESIA** | | | | | | |
| Jalan Cendana Raya<br>Blok F-10 No. 06B<br>Kawasan Industri Delta Silicon 3<br>Kelurahan Sukamahi<br>Kecamatan Cikarang Pusat<br>Bekasi, Jawa Barat | 6.28 | - | Construction in progress | Leasehold for 30 years | 8,647 | 5-Jul-11 (A) |
| **V. S. TECHNOLOGY INDUSTRY PARK (ZHUHAI) CO., LTD.** | | | | | | |
| Beisha Village<br>Tangjia Wan Town<br>Xiangzhou District<br>Zhuhai<br>Guangdong Province<br>The People's Republic of China | 78.21 | 1,499,771 | Factory/ office/ warehouse | Leasehold for 50 years expiring on 20/02/2051 (12 years) | 190,171 | 10-Jul-13* (A) |
| **QINGDAO GS ELECTRONICS PLASTIC CO., LTD.** | | | | | | |
| Qianwangang Road South<br>Haier International Industrial Park<br>Qingdao Economic and Technology<br>Development Zone<br>Huangdao District<br>Qingdao<br>Shandong Province<br>The People's Republic of China | 7.57 | 222,148 | Factory/ office | Leasehold for 50 years expiring on 09/01/2052 (11 years) | 32,053 | 10-Jul-13* (A) |
| **QINGDAO GP ELECTRONIC PLASTICS CO., LTD.** | | | | | | |
| Hetao Export Processing Zone<br>Qingdao City<br>Chengyang District<br>Qingdao<br>Shandong Province<br>The People's Republic of China | 6.00 | 194,179 | Factory/ office | Leasehold for 50 years expiring on 30/12/2056 (7 years) | 17,547 | 10-Jul-13* (A) |

** Date of acquisition of subsidiary*

# ANALYSIS OF SHAREHOLDINGS

As at 15 November 2013

| | | |
|---|---|---|
| Authorised Share Capital | : | RM500,000,000 |
| Issued and Fully Paid-Up Capital | : | RM182,326,706 |
| Class of Shares | : | Ordinary shares of RM1.00 each |
| Voting Rights | : | One vote per ordinary share |
| No. of Shareholders | : | 3,921 |

**DISTRIBUTION OF SHAREHOLDINGS**

| Range of Shares | No. of Shareholders | Percentage (%) | No. of Shares | Percentage (%) |
|---|---|---|---|---|
| 1 - 99 | 351 | 8.95 | 15,558 | 0.01 |
| 100 - 1,000 | 325 | 8.29 | 186,481 | 0.10 |
| 1,001 - 10,000 | 2,371 | 60.47 | 9,884,533 | 5.42 |
| 10,001 - 100,000 | 760 | 19.38 | 19,605,196 | 10.75 |
| 100,001 - 9,116,334 | 110 | 2.81 | 78,706,139 | 43.17 |
| 9,116,335 and above | 4 | 0.10 | 73,928,799 | 40.55 |
| Total | 3,921 | 100.00 | 182,326,706 | 100.00 |

**LIST OF TOP 30 SHAREHOLDERS AS AT 15 NOVEMBER 2013**
(as shown in the Record of Depositors)

| No. | Name of Shareholders | No. of Shares Held | Percentage (%) |
|---|---|---|---|
| 1. | HSBC Nominees (Tempatan) Sdn Bhd<br>*Exempt An For BNP Paribas Wealth Management Singapore Branch (Local)* | 23,580,140 | 12.93 |
| 2. | Citigroup Nominees (Asing) Sdn Bhd<br>*Exempt An For OCBC Securities Private Limited (Client A/C-NR)* | 18,742,500 | 10.28 |
| 3. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Beh Kim Ling (MBB HK-240577)* | 18,485,228 | 10.14 |
| 4. | Beh Kim Ling | 13,120,931 | 7.20 |
| 5. | Lembaga Tabung Haji | 8,512,315 | 4.67 |
| 6. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Exempt An For OCBC Securities Private Limited (Client A/C-R ES)* | 7,527,688 | 4.13 |
| 7. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Gan Sem Yam* | 5,525,850 | 3.03 |
| 8. | Gan Tiong Sia | 4,889,686 | 2.68 |
| 9. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank For Gan Tong Chuan (PBCL-0G0006)* | 4,150,125 | 2.28 |
| 10. | Chin Chin Seong | 2,585,100 | 1.42 |
| 11. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank For Kuah Hun Liang (MY0271)* | 2,228,136 | 1.22 |
| 12. | Gan Sem Yam | 2,224,991 | 1.22 |
| 13. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account For Gan Tong Chuan (MBB HK-280356)* | 2,069,931 | 1.14 |
| 14. | Ng Ang Lim | 1,620,106 | 0.89 |
| 15. | Low Kwai Leng | 1,508,000 | 0.83 |
| 16. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank For Gan Chu Cheng (PBCL-0G0003)* | 1,500,000 | 0.82 |

# ANALYSIS OF SHAREHOLDINGS

As at 15 November 2013
CONT'D

| No. | Name of Shareholders | No. of Shares Held | Percentage (%) |
|---|---|---|---|
| 17. | Gan Chong Thai @ Gan To | 1,435,250 | 0.79 |
| 18. | Gan Swu Kim | 1,423,468 | 0.78 |
| 19. | Citigroup Nominees (Asing) Sdn Bhd<br>*CBNY For Dimensional Emerging Markets Value Fund* | 1,337,193 | 0.73 |
| 20. | V.S. Industry Berhad – Share Buy Back Account | 1,124,336 | 0.61 |
| 21. | Gan Pee Yong | 1,000,000 | 0.55 |
| 22. | Cheng Kin Yin | 980,000 | 0.54 |
| 23. | Beh Hwee Lee | 915,723 | 0.50 |
| 24. | Gan Chong Thai @ Gan To | 900,365 | 0.49 |
| 25. | AMSEC Nominees (Tempatan) Sdn. Bhd.<br>*AmTrustee Berhad for Pacific Pearl Fund (UT-PM-PPF)* | 861,400 | 0.47 |
| 26. | Tan Kuan Teck | 838,000 | 0.46 |
| 27. | Gan Chu Cheng | 803,611 | 0.44 |
| 28. | Lee Sau Kwang | 701,887 | 0.38 |
| 29. | Gan Chong Thai @ Gan To | 688,500 | 0.38 |
| 30. | Kim Poh Holdings Sdn Bhd | 669,375 | 0.37 |
| | Total | 131,949,835 | 72.37 |

**LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 15 NOVEMBER 2013**
(as shown in the Register of Substantial Shareholders)

| No. | Name of Substantial Shareholders | Interests in Shares Direct | Interests in Shares Deemed | Note | Percentage (%) |
|---|---|---|---|---|---|
| 1. | Datuk Beh Kim Ling | 31,606,159 | 26,799,474 | (a) | 32.23 |
| 2. | Datin Gan Chu Cheng | 25,183,751 | 33,221,882 | (b) | 32.23 |
| 3. | Datuk Gan Sem Yam | 14,278,529 | 2,563,250 | (c) | 9.29 |
| 4. | Datin Ling Sok Mooi | 525,000 | 16,316,779 | (d) | 9.29 |
| 5. | Inabata & Co., Ltd | - | 18,742,500 | (e) | 10.34 |

**DIRECTORS' INTERESTS IN SHARES AS AT 15 NOVEMBER 2013**

| No. | Name of Substantial Shareholders | Interests in Shares Direct | Interests in Shares Deemed | Note | Percentage (%) |
|---|---|---|---|---|---|
| **A.** | **In the Company** | | | | |
| | Datuk Beh Kim Ling | 31,606,159 | 26,799,474 | (a) | 32.23 |
| | Datin Gan Chu Cheng | 25,183,751 | 33,221,882 | (b) | 32.23 |
| | Datuk Gan Sem Yam | 14,278,529 | 2,563,250 | (c) | 9.29 |
| | Gan Tiong Sia | 4,889,686 | 21,420 | (f) | 2.71 |
| | Ng Yong Kang | 166,775 | - | | 0.09 |
| | Dato' Sri Mohd Nadzmi Bin Mohd Salleh | - | - | | - |
| | Pan Swee Keat | 20,000 | - | | 0.01 |
| | Tang Sim Cheow | - | - | | - |
| | Chang Tian Kwang<br>(Alternate Director to Datin Gan Chu Cheng) | - | - | | - |

**DIRECTORS' INTERESTS IN SHARES AS AT 15 NOVEMBER 2013 (CONT'D)**

| No. | Name of Substantial Shareholders | Interests in Shares Direct | Interests in Shares Deemed | Note | Percentage (%) |
|---|---|---|---|---|---|
| **B.** | **In Related Corporations** | | | | |
| **(i)** | **V.S. Ashin Technology Sdn. Bhd. (Ordinary shares of RM1.00 each)** | | | | |
| | Datuk Beh Kim Ling | - | 4,480,000 | (a) & (g) | 64.00 |
| | Datin Gan Chu Cheng | 672,000 | 3,808,000 | (g) | 64.00 |
| | Datuk Gan Sem Yam | 746,667 | - | | 10.67 |
| **(ii)** | **V.S. Plus Sdn. Bhd. (Ordinary shares of RM1.00 each)** | | | | |
| | Datuk Beh Kim Ling | - | 49,625,000 | (g) | 99.25 |
| | Datin Gan Chu Cheng | - | 49,625,000 | (g) | 99.25 |
| **(iii)** | **VS Marketing & Engineering Pte. Ltd. (Ordinary shares)** | | | | |
| | Datuk Beh Kim Ling | - | 561,000 | (g) | 51.00 |
| | Datin Gan Chu Cheng | - | 561,000 | (g) | 51.00 |
| | Datuk Gan Sem Yam | - | 264,000 | (h) | 24.00 |
| | Gan Tiong Sia | - | 110,000 | (i) | 10.00 |
| **(iv)** | **V.S. International Group Limited (Ordinary shares of HKD0.05 each)** | | | | |
| | Datuk Beh Kim Ling | 61,428,566 | 800,994,998 | (g) & (j) | 64.25 |
| | Datin Gan Chu Cheng | 78,388,573 | 784,034,991 | (g) & (k) | 64.25 |
| | Datuk Gan Sem Yam | 32,690,867 | - | | 2.43 |
| | Gan Tiong Sia | 34,111,611 | - | | 2.54 |
| | Tang Sim Cheow | 639,130 | - | | 0.05 |
| **(v)** | **V.S. International Group Limited (Warrant)** | | | | |
| | Datuk Beh Kim Ling | 6,533,461 | 96,595,011 | (g) & (j) | 75.22 |
| | Datin Gan Chu Cheng | 19,113,465 | 84,015,007 | (g) & (k) | 75.22 |
| | Datuk Gan Sem Yam | 3,046,250 | - | | 2.22 |
| | Gan Tiong Sia | 2,103,463 | - | | 1.53 |

# ANALYSIS OF SHAREHOLDINGS

As at 15 November 2013
CONT'D

**DIRECTORS' INTERESTS IN SHARES AS AT 15 NOVEMBER 2013 (CONT'D)**

| No. | Name of Substantial Shareholders | Interests in Shares Direct | Deemed | Note | Percentage (%) |
|---|---|---|---|---|---|
| **B.** | **In Related Corporations (Cont'd)** | | | | |
| **(vi)** | **V.S. Corporation (Hong Kong) Co., Limited (Non-voting deferred shares of HKD1.00 each)** | | | | |
| | Datuk Beh Kim Ling | 3,750,000 | 3,750,000 | (j) | 10.00 |
| | Datin Gan Chu Cheng | 3,750,000 | 3,750,000 | (k) | 10.00 |
| | Datuk Gan Sem Yam | 3,750,000 | - | | 5.00 |
| | Gan Tiong Sia | 3,750,000 | - | | 5.00 |
| **(vii)** | **V.S. Investment Holdings Limited (Ordinary shares of HKD1.00 each)** | | | | |
| | Datuk Beh Kim Ling | 5 | 5 | (j) | * |
| | Datin Gan Chu Cheng | 5 | 5 | (k) | * |
| | Datuk Gan Sem Yam | 5 | - | | * |

Note:

(a) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng and his daughters, Miss Beh Hwee Lee and Miss Beh Hwee Sze.
(b) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling and her daughters, Miss Beh Hwee Lee and Miss Beh Hwee Sze.
(c) By virtue of the shareholdings of his spouse, Datin Ling Sok Mooi, his son, Mr. Gan Pee Yong and daughter, Miss Gan Chian Yi.
(d) By virtue of the shareholdings of her spouse, Datuk Gan Sem Yam, her son, Mr. Gan Pee Yong and daughter, Miss Gan Chian Yi.
(e) By virtue of its substantial shareholdings in Inabata Sangyo (H.K.) Ltd. and Inabata Singapore (Pte.) Ltd.
(f) By virtue of the shareholdings of his spouse, Madam Loi Hui Hong.
(g) By virtue of his/her substantial shareholdings in V.S. Industry Berhad.
(h) By virtue of his substantial shareholdings in V.Plus Resources Pte. Ltd.
(i) By virtue of the shareholdings of his daughters, Miss Gan Swu Juan and Miss Gan Swu San.
(j) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng.
(k) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling.

* Negligible percentage

V.S. Industry

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

# FORM OF PROXY

| Number of ordinary shares held |
|---|
| |

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 First 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 Thursday, 2 January 2014 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 Directors' fees | | |
| 2 | Re-election of retiring Director, Datuk Beh Kim Ling | | |
| 3 | Re-election of retiring Director, Mr Tang Sim Cheow | | |
| 4 | Re-election of retiring Director, Mr Ng Yong Kang | | |
| 5 | Re-appointment of KPMG as Auditors and authorise the Directors to fix their remuneration | | |
| 6 | Authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965 | | |
| 7 | Renewal of Shareholders' Approval for Share Buy-Back | | |
| 8 | Renewal of Shareholders' Mandate for RRPTs with Datuk Beh Kim Ling, Beh Chu Hiok and Gan Siew Tang | | |
| 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 Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd | | |
| 11 | Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries | | |
| 12 | New Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte Ltd | | |
| 13 | Retention of Dato' 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 ____________ 2013 / 2014

____________________
Signature of Member(s)

**NOTES:**

i. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company 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.

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AFFIX
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The Company Secretary

**V.S. INDUSTRY BERHAD** (88160-P)

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


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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

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**SUBSIDIARY COMPANIES**
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