



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



2016
Annual Report

SOWING SEEDS OF
EXCELLENCE

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COVER RATIONALE



“Sowing Seeds of Excellence”

Every successful undertaking begins with an entrepreneurial dream, followed by diligence and determination and perseverance. In the corporate world, the demands on the management are much higher, requiring foresight to continuously identify areas of high-potential areas to sustain its performance.

While V.S. Industry has developed an enviable track record in the Electronic Manufacturing Services sector over the past 35 years, we have by no means compromised on our relentless pursuit of extraordinary achievement. Therefore we remain committed to sowing seeds of excellence, so as to propel the Group into a new phase of exciting expansion to last well into the future.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Beh Kim Ling
Executive Chairman

Datuk Gan Sem Yam
Managing Director

Datin Gan Chu Cheng
Executive Director

Dato' Gan Tiong Sia
Executive Director

Ng Yong Kang
Executive Director

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

Pan Swee Keat
Independent Non-Executive Director

Tang Sim Cheow
Independent Non-Executive Director

Chong Chin Siong
Alternate Director to Datin Gan Chu Cheng

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Ang Mui Kiow
Chiam Mei Ling

AUDITORS

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

REGISTRAR

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

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

HEADQUARTERS

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

STOCK EXCHANGE LISTING

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

ONLINE LINKS

Corporate Website:
www.vs-i.com

A photograph of a modern building with a white and blue facade and a red 'V.S.' logo. In the foreground, there is a landscaped garden with a stone water feature, green plants, and a large potted plant.

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 9 consecutive years from 2007 to 2015.

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

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

GEOGRAPHICAL FOOTPRINT

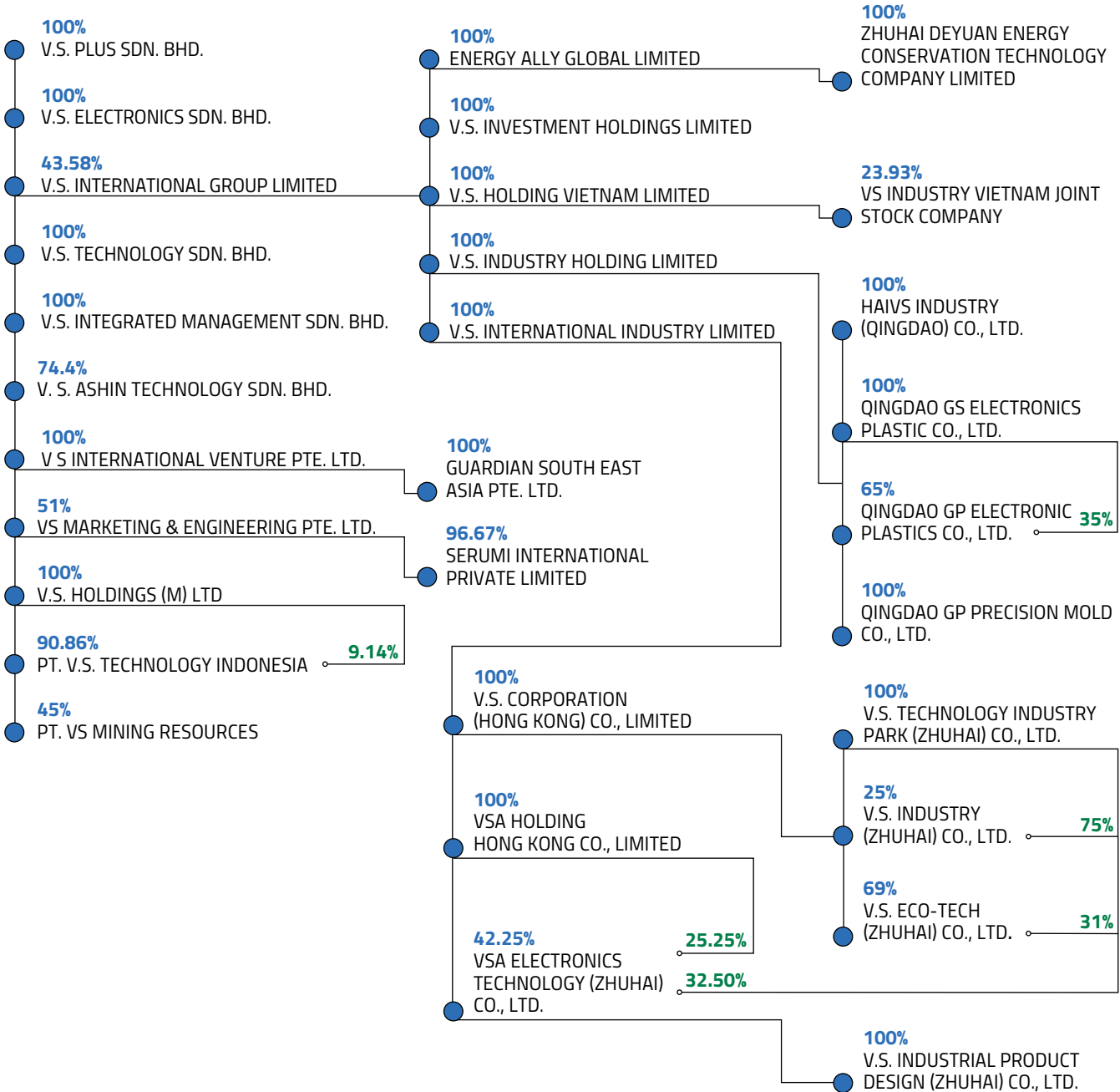
With facilities strategically located in Asia's key manufacturing hubs, VS today serves the EMS requirements for an ever-expanding international customer base.



CORPORATE STRUCTURE



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



FINANCIAL HIGHLIGHTS



¹ Compounded Annual Growth Rate from 2012-2016

² Based on FY2016 core operational profit

FINANCIAL HIGHLIGHTS

(cont'd)

FINANCIAL SUMMARY

For the Financial Year Ended 31 July (RM'000)	2016	2015	2014	2013	2012
Revenue	2,175,626	1,936,885	1,715,082	1,163,911	1,201,992
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	226,384	239,218	119,548	92,027	95,275
Earnings before Interest and Tax ("EBIT")	154,338	176,137	57,963	59,346	66,788
Share of Results of Associates	1,620	(1,569)	(689)	(5,160)	(13,080)
Profit before Tax ("PBT")	141,866	159,686	41,993	49,447	48,791
Net Profit after Minority Interest	117,928	132,739	53,633	43,910	37,390
Total Dividends Paid	54,839*	53,946	22,648	9,060	27,185
As At 31 July (RM'000)					
Shareholders' Funds	879,903	777,034	526,160	479,646	410,491
Share Capital	235,169	230,848	186,355	182,327	182,327
Reserves (Net of Treasury Shares at Cost)	644,734	546,186	339,805	297,319	228,164
Total Assets	1,984,443	1,855,678	1,551,689	1,404,443	850,986
Net Current Assets	336,212	321,419	121,619	94,561	103,724
Total Borrowings	415,043	412,208	409,791	361,757	138,008
Cash and Cash Equivalents	218,401	243,742	123,464	97,288	58,680
Per Share					
Basic Earnings per Share (sen)#	10.2	12.9	5.9	4.8	4.1
Total Tax-Exempt Dividend per Share (sen)#	4.7*	4.8	2.3	1.0	3.0
Net Tangible Assets per Share (RM)#	0.8	0.7	0.6	0.5	0.5
Returns (%)					
Return on Average Shareholders' Equity (%)	14.2	20.4	10.7	9.9	9.3
Return on Average Total Assets (%)	6.1	7.8	3.6	3.9	4.6
Financial Analysis					
Gross Margin (%)	15.5	14.8	11.5	9.1	12.2
Operating Margin (%)	7.1	9.1	3.4	5.1	5.6
PBT Margin (%)	6.5	8.2	2.4	4.2	4.1
Net Margin (%)	5.4	6.9	3.1	3.8	3.1
Gearing (Net of Cash) (times)	0.2	0.2	0.5	0.6	0.2
Interest Coverage (times)	11.0	11.8	3.8	12.5	13.6
Dividend Payout Ratio (%)	43.0^	40.6	42.0	67.1	72.7

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

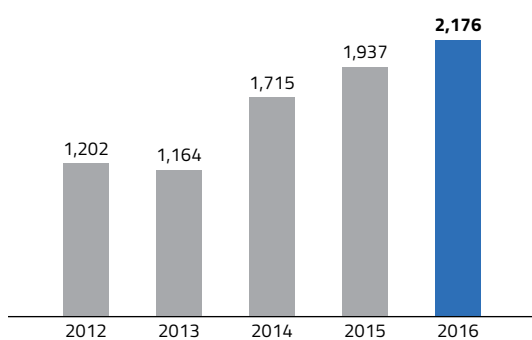
adjusted for corporate exercises

^ based on FY2016 core operational profit

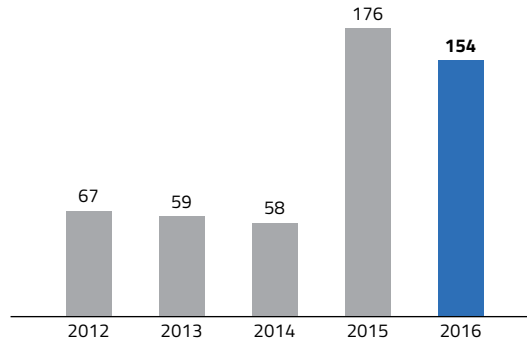
FINANCIAL HIGHLIGHTS

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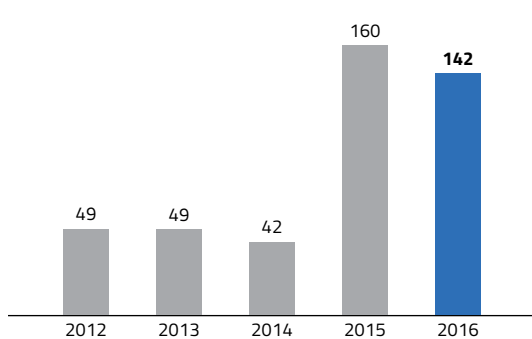
REVENUE (RM 'million)



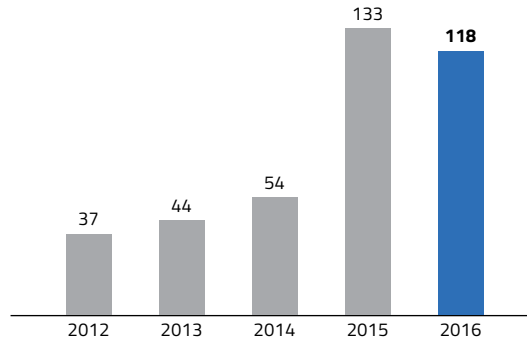
EARNINGS BEFORE INTEREST & TAX (RM 'million)



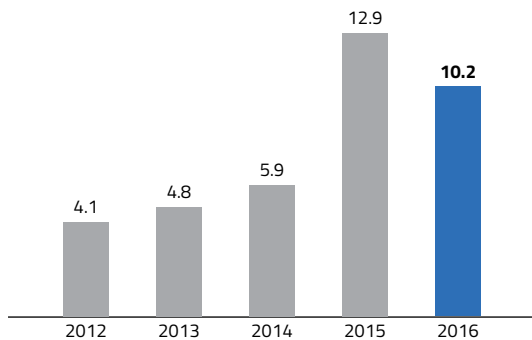
PROFIT BEFORE TAX (RM 'million)



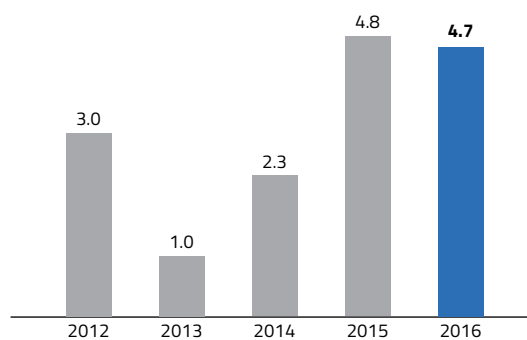
NET PROFIT (RM 'million)



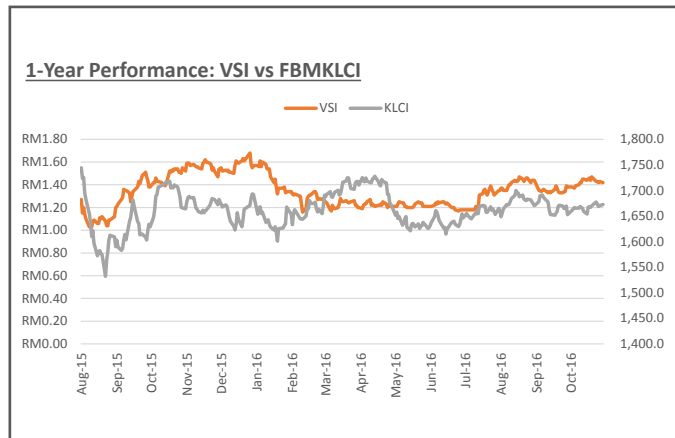
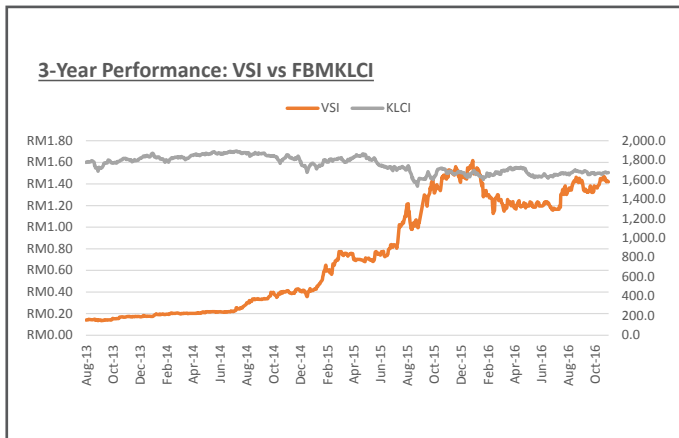
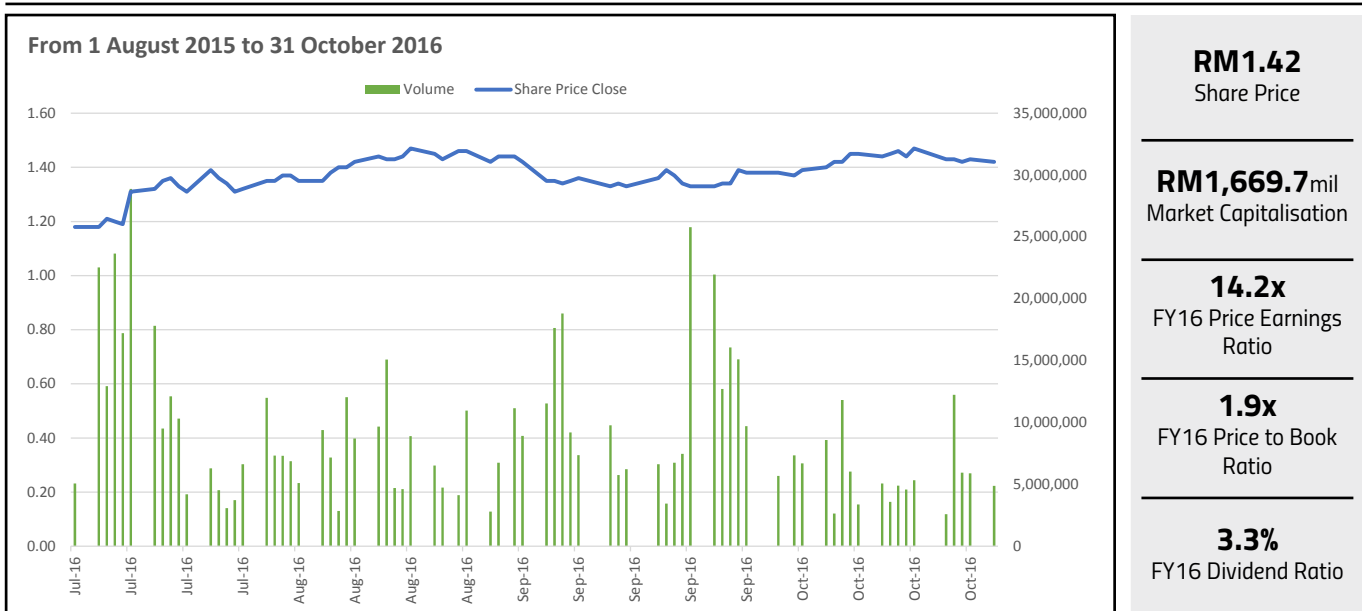
BASIC EARNINGS PER SHARE (Sen)



TAX-EXEMPT DIVIDEND PER SHARE (Sen)



SHARE PRICE PERFORMANCE



VSI : 918.7%
FBMKLCI : -5.9%
OUTPERFORMANCE : 924.6%

VSI : 11.8%
FBMKLCI : -4.1%
OUTPERFORMANCE : 15.9%



LETTER TO SHAREHOLDERS

ECONOMIC OUTLOOK

The global business environment faced renewed challenges in 2016, marked by slower economic growth among major powerhouses such as the United States, China, and the Eurozone, as well as recessions experienced by Russia and Brazil. The bleak outlook triggered a slump in global commodity prices, and prompted a surge in currency volatility among many emerging economies.

Malaysia encountered its own set of challenges, as the implementation of the Goods and Services Tax in early-2015 led to a protracted decline in consumer sentiment and spending. Additionally, many businesses grappled with higher operating costs due to labour supply shortages, as well as hikes in minimum wage and utility costs during the same period. Meanwhile, the country's vital oil and gas industry faced tremendous pressures following the slump in global crude oil prices.

Even so, I am pleased that the management and Board of Directors of V.S. Industry Berhad (VS) were unfazed by these external circumstances, and chose to focus our efforts on strengthening our core expertise that has brought us through the past three decades.

LETTER TO SHAREHOLDERS

(cont'd)

VS GAME PLAN IN FY2016

In this stead, we leveraged on our track record in Electronic Manufacturing Services (EMS), to continuously build stronger partnerships with prominent consumer electronics brands in the world. This entailed us winning significantly-sized sales orders from existing key customers, as well as securing new contracts from new and emerging brands in the region.

At the same time, we broadened our horizons by diversifying into new markets that hold promising growth potential.

Investment in Seeing Machines Limited

To this end, we acquired a 12.1% stake in Australia-based Seeing Machines Limited (SML) for GBP6.7 million (equivalent to RM39.4 million), through our subsidiary V S International Venture Pte. Ltd. (VSIV) on 22 March 2016. Listed on the Alternative Investment Market of the London Stock Exchange, SML is an award-winning technology provider of vehicle-operator safety systems, which are used by leading multinational companies spanning the automotive, mining, transport, and aviation industries, as well as by academia and the authorities.

Subsequent to the acquisition, VSIV incorporated Guardian South East Asia Pte. Ltd. in Singapore on 3 June 2016. The wholly-owned subsidiary was formally appointed on a non-exclusive basis by SML to market its *Guardian* driver fatigue and distraction intervention solution in Singapore and Malaysia.

With our investment in SML, and through potential future partnerships, we stand to build new competencies in the vehicle-safety segment, comprising innovative optical recognition and sensing technologies. Such collaborations would contribute towards strengthening our expertise in the research, development, and manufacturing of advanced technologies for the future.



Investment in NEP Holdings Berhad

As a further testament to the Group's new business endeavours, VS entered into a subscription agreement with NEP Holdings (Malaysia) Berhad (NEP) and Lim Chang Huat on 25 July 2016, to acquire up to 20.0% stake in NEP for a cash consideration of up to RM60.0 million. As at 30 September 2016, we held a 10.0% stake in NEP, and expect to acquire the remaining 10.0% within six months of the date of agreement.

NEP's principal business is the assembly, wholesale, distribution and trading of water filtration systems and healthcare related products. It is the brand owner of *Diamond*, an award-winning line of household and commercial water filtration systems with sizeable market share in Malaysia, Hong Kong, Singapore, and Taiwan.

Our investment in NEP effectively positions us to participate in the rapidly growing household water filtration market in Asia. Furthermore, with the manufacturing contract award from NEP, we are on the cusp of NEP's expansion into the vast Mainland China market.

On the whole, we look forward to taking these synergistic partnerships to the next level, adding to our exciting growth prospects going forward.

In the same vein, we also re-evaluated our position in the solar power plant project in the Inner Mongolia Autonomous Region in view of market challenges. On 31 August 2016, our subsidiary V.S. International Group (VSIG) reached a settlement agreement with Cadre Project Development Company Limited (Cadre) and related parties, to obtain a refund of deposits paid for an earlier-proposed acquisition of a 20% stake in Cadre.

As part of the settlement agreement, Cadre and related parties agreed to refund RMB34.0 million (RM21.8 million) to VSIG, representing the full deposit paid for the proposed acquisition, together with additional interest, by 30 November 2016.

OTHER CORPORATE DEVELOPMENTS

On the corporate front, we embarked on two main exercises to reward shareholders for their unwavering support for VS and enable them to participate in greater measure in our future growth prospects.

On 14 September 2015, we completed a 1-to-5 share split comprising the subdivision of VS shares from 231 million shares of RM1.00 each into 1,155 million shares of RM0.20 each, with total paid up share capital of RM231.0 million. The share split was undertaken to enhance the liquidity of VS shares.

LETTER TO SHAREHOLDERS

(cont'd)

Subsequently, on 13 January 2016, we completed a 1-for-4 bonus warrants issue of 290.7 million shares. Assuming full conversion of warrants, the Group's enlarged share base would increase to 1,454 million shares of RM0.20 each, with total paid up share capital of RM290.7 million.

The bonus warrants issuance grants existing shareholders a cost-friendly option to increase their participation in the Group's long-term growth prospects, and would potentially raise up to RM479.7 million in proceeds to be channelled towards our working capital.

AWARDS

VS was recognized by The Edge, Malaysia's leading business weekly, as a member of The Edge Billion Ringgit Club 2016. We are proud to have clinched top spots in two categories in the Industrial Products Sector, namely in recognition of achieving highest compound growth in *profit before tax* and *returns to shareholders* over a three-year period.



FUTURE OUTLOOK

Global Markets

The International Monetary Fund's *World Economic Outlook* report in October 2016 indicates that key global economies such as China, the United Kingdom, and Europe are expected to see moderated growth in the year ahead, on account of a myriad of economic and geopolitical factors. That said, the United States is expected to deliver a modest recovery from a lacklustre 2016, while emerging economies in South East Asia such as Indonesia, Malaysia, and the Philippines are anticipated to perform strongly.

In the EMS sector, the rapid pace of globalization and technological adoptions, as well as innovation-led product replacements, are expected to fuel growth in manufacturing activity.

We also see increasing collaboration between brand owners and manufacturing partners in crucial phases of product development and delivery. Therefore, EMS players with in-house research and development (R&D) teams as well as integrated global supply chain expertise, are well-positioned to gain an upper hand.

Passion for Excellence

VS's successes to date are a result of our commitment to exceptional product quality, timely delivery, and cost competitiveness, in addition to our geographical presence across three strategic Asian countries. Our strong engineering and design team has successfully engaged in R&D on existing and potential new products, hence complementing our customers' endeavours and raising the bar for the next height of accomplishments.

Given our fully integrated capabilities spanning original product design, plastic injection moulding, printed circuit boards assembly, and full box build assembly, we have proven our ability to deliver immense value to our partners. VS is committed to becoming and remaining the preferred choice of manufacturing partner, and a key enabler within the global product supply chain.

APPRECIATION

VS is making great strides in the right direction. Our efforts to date have not only led to commendable business growth and sturdy financial performance, but also strategic entry into new growth areas that would form the foundation of business sustainability in the long run. Going forward, I am confident that the strategies set in place, would propel VS to greater achievements for many years to come.

I take this opportunity to extend my deepest appreciation to my fellow Board members, who have each played crucial roles in our success story. My gratitude also goes to our staff across our regional operations, as your contributions have been the cornerstone of our achievements.

I would also like to thank our suppliers, customers, business partners and associates, shareholders, and all regulatory bodies for being a part of VS's growth. We look forward to many more years of delivering greater value to our stakeholders.

DATUK BEH KIM LING
Chairman

FACE-TO-FACE WITH THE MANAGEMENT

FINANCIAL PERFORMANCE

Amidst the arduous circumstances in the global environment, VS delivered top-notch financial performance in the year under review, underpinned by our strong foundation in the EMS sector and growth-focused strategies.

Sterling Report Card

I am delighted to announce that group revenue rose to a record high of RM2.2 billion, increasing 12.3% from RM1.9 billion in FY2015. The healthy revenue growth was attributed to larger orders from key customers across our manufacturing operations in Malaysia, China, and Indonesia, in line with increasing demand for high quality and innovative consumer electronic products in the markets they operate in.

Group profit before tax (PBT) stood at RM141.9 million, declining 11.1% from RM159.7 million previously, due to one-off impairments amounting to RM29.4 million and lower foreign exchange gain of RM10.4 million compared to RM34.6 million in the previous year. The impairments comprise the provision for the deposit paid for a proposed acquisition of a stake in Cadre amounting to RMB34.0 million, and the lower closing price of the quoted shares of SML of GBPO.0413 as at end-FY2016 versus our acquisition price of GBPO.0520 in March 2016.

Excluding the one-off impairments and foreign exchange gain, core PBT stood at RM160.9 million, an increase of 28.6% from RM125.1 million a year ago.

Net profit stood at RM117.9 million, 11.2% lower from RM132.7 million previously due to the one-off impairments and lower foreign exchange gain. On an adjusted basis, we registered 20.8% higher core net profit of RM127.4 million, from RM105.5 million previously.

Solid Financial Position

VS's equity attributable to owners increased to RM879.9 million from RM777.0 million previously on higher retained earnings, as well as enlarged share capital following the corporate exercises.

Total borrowings were maintained at RM415.0 million, largely unchanged from RM412.2 million a year ago, while cash and cash equivalents stood slightly lower at RM218.4 million from RM243.7 million previously.

All things considered, group net gearing remained low at 0.2 time, which grants us the required flexibility in cashflow as well as financial capability to pursue new growth opportunities, even in these trying circumstances.

Generous Dividends

The Board is recommending a final single tier dividend of 0.8 sen per ordinary share in respect of FY2016, for shareholders' approval at the upcoming Annual General Meeting.

Together with the earlier-paid four interim single-tier dividends of 3.9 sen per ordinary share, total dividends in respect of FY2016 would amount to 4.7 sen per ordinary share with total payout of RM54.8 million. The total payout represents 43.0% of FY2016 core net profit, in line our policy to distribute dividends of at least 40% of net profit.

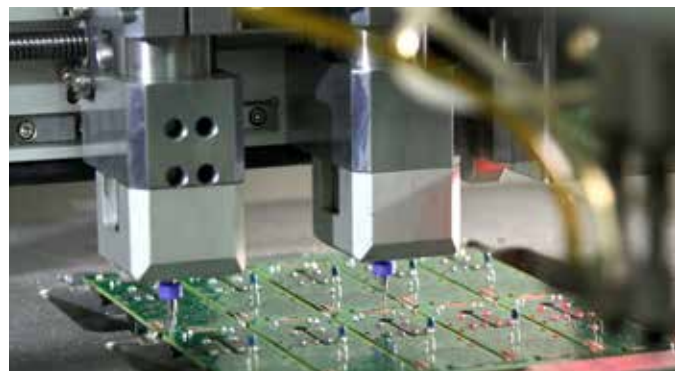
OPERATIONAL HIGHLIGHTS

We continued to see increasing orders across our regional operations, on account of resilient sales growth in our customers' end markets.

Our operations in Malaysia remained the largest contributor to group revenue at RM1.5 billion, rising 12.1% from RM1.3 billion in FY2015 as we benefitted from larger orders. The currency volatility however impacted its PBT, which was 4.3% lower at RM162.9 million versus RM170.3 million previously. Excluding foreign exchange gain, core PBT would stand at RM147.9 million, 8.8% higher compared to RM136.0 million previously.

Meanwhile, our operations in China secured increasing sales, resulting in 7.5% revenue expansion to RM565.2 million versus RM525.9 million a year ago. However, the one-off impairment of RM21.8 million being the provision on deposit paid for a stake in Cadre, led to RM18.9 million in loss before tax, versus loss before tax of RM7.6 million in the previous year. Excluding the impairment, PBT would have amounted to RM2.9 million, a vast improvement compared to the loss position earlier on account of better operating efficiency.

Our Indonesia operations registered a convincing turnaround, as revenue leapt 47.3% to RM119.0 million versus RM80.8 million a year ago, and PBT climbed to RM7.1 million versus a loss before tax of RM3.6 million a year ago. This spectacular performance was achieved through greater economies of scale with the enlarged revenue base, and bodes well for the plant's long-term prospects.



FACE-TO-FACE WITH THE MANAGEMENT

(cont'd)

Vertical Integration

VS added a notable feather in our cap in the year under review, with our appointment as a vertically-integrated manufacturer by a key customer, a globally renowned brand of industry revolutionizing consumer electronic products including vacuum cleaners and hand dryers.

We are actively engaging with the key customer on meeting its increasing production requirements, with potential for deploying dedicated manufacturing facilities to support its global supply chain and long term growth plans. We expect to transition to fully-integrated production in mid-2017.

Product Innovation

We are proud to announce that our in-house R&D team has successfully developed a new lower-cost coffee brewer model with uncompromising quality, in close collaboration with another key customer, a leading brand in the single-serve coffee brewer space. The in-house developed product has passed the prerequisite trials with the customer and relevant authorities.

Subsequent to that, our wholly-owned subsidiary V.S. Plus Sdn Bhd was awarded a new contract by the customer on 10 August 2016, amounting to at least USD82 million to be fulfilled over three years. We have also been granted exclusive manufacturing rights for the first eighteen months, and expect to begin production in third quarter of financial year 2017.

New Customer Development

Our investment in SML places us in the driver's seat to acquire new and next-generation competencies in the vehicle-safety segment, particularly in innovative optical recognition and sensing technologies. We look forward to forging a synergistic partnership with SML, where it would stand to benefit from our expertise in electronics manufacturing and product design.

On top of that, we are now actively marketing SML's Guardian driver fatigue and distraction intervention solutions in Malaysia and Singapore. We believe that these markets present ample opportunity for the adoption of driver monitoring and safety systems, and would be the perfect launch pad for subsequent expansion in Southeast Asia.

Also, on 1 August 2016, V.S. International Group (VSIG), our 43.7% owned subsidiary, was awarded a RM100 million contract by NEP to manufacture its Diamond water filtration system over a period of twelve months. This is in line with NEP's enlarged production requirements, following a recent agreement with a subsidiary of Haier Group to distribute its Diamond water filtration systems in Mainland China.



With the investment in NEP, we effectively position the Group to participate in the rapidly-growing household water filtration market in Asia.

GROWTH STRATEGIES

We strive to continuously strengthen our core EMS competencies to bring greater value to our customers, allowing them to gain an edge in today's competitive marketplace. We regularly invest in crucial areas including R&D capabilities, production processes, our workforce, and machinery upgrades to maintain our lead in manufacturing excellence.

Congruent with these efforts, we also seek to increase our partnership with growth-centric companies, frequently comprising leading international brands and technology providers.

Furthermore, we look towards expanding our business to cover new and synergistic growth areas that stand to benefit from our long-standing experience and capabilities in integrated EMS. We also look forward to honing our expertise in the manufacturing of innovative and technologically-driven products of the future.

Our recent investments into the automotive-safety sector and household water filtration markets, via SML and NEP respectively, highlight our efforts to not only grow the business, but also strengthen our profile as one of the leading EMS players in the world.

Overall, we believe that VS's strategy of sowing seeds of excellence would enable us to continue delivering sustainable growth and value to our shareholders for many years to come.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Fourth Annual General Meeting ("34th 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, 5 January 2017 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 2016 together with the Directors' and Auditors' reports thereon. **(Please refer to Note No. 1)**
2. To approve the payment of a final single tier dividend of 0.8 sen per ordinary share of RM0.20 each for the financial year ended 31 July 2016. **RESOLUTION 1**
3. To approve the payment of Directors' fees totalling RM412,000 for the financial year ended 31 July 2016. **RESOLUTION 2**
4. 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 3**
 - (b) Datin Gan Chu Cheng - Article 93 **RESOLUTION 4**
 - (c) Mr Ng Yong Kang - Article 93 **RESOLUTION 5**
5. To re-appoint the retiring Auditors, Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration. **RESOLUTION 6**

SPECIAL BUSINESS

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

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

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

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

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

RESOLUTION 8

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 29 November 2016, 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:

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

RESOLUTION 9

9. ORDINARY RESOLUTION

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 29 November 2016, subject to the following:

- (i) the RRPTs are:
 - (a) necessary for the day-to-day operations;
 - (b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
 - (c) are not detrimental to the shareholders of the Company; and
- (ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited is in force; and
- (iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited is subject to annual renewal and will continue to be in full force until:
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

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 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 29 November 2016, subject to the following:

- (i) the RRPTs are:
 - (a) necessary for the day-to-day operations;
 - (b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
 - (c) are not detrimental to the shareholders of the Company; and
- (ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd is in force; and
- (iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd is subject to annual renewal and will continue to be in full force until:
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

RESOLUTION 11

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

11. **ORDINARY RESOLUTION**

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Beeantah Pte. Ltd. as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 29 November 2016, subject to the following:

- (i) the RRPTs are:
 - (a) necessary for the day-to-day operations;
 - (b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
 - (c) are not detrimental to the shareholders of the Company; and
- (ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the related parties and their relationship with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd. during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd. is in force; and
- (iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd. is subject to annual renewal and will continue to be in full force until:
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

RESOLUTION 12

12. **ORDINARY RESOLUTION**

Retention of Independent Director

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

RESOLUTION 13

13. **ORDINARY RESOLUTION**

Retention of Independent Director

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

RESOLUTION 14

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

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 34th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 23 December 2016. Only a depositor whose name appears on the Record of Depositors as at 23 December 2016 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

ANG MUI KIOU
CHIAM MEI LING
Secretaries

Johor Bahru
29 November 2016

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.

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

3. Explanatory Notes on Special Business

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

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

The mandate sought under Ordinary Resolution No. 7 above is a renewal of an existing mandate and the total proceeds raised from the previous mandate for the period from 5 January 2016 to 31 October 2016 (latest practicable date) was RM5.7 million pursuant to the Company's Employees' Share Option Scheme which was approved at Extraordinary General Meetings held on 8 May 2015.

The proceeds raised had been fully utilised for working capital.

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

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

The proposed Resolution No. 8, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the total issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information on the Proposed Share Buy-Back, please refer to the Share Buy-Back Statement dated 29 November 2016 accompanying the Company's 2016 Annual Report.

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

The proposed Resolutions No. 9 to 12, if passed, will authorise the Company and/or its subsidiaries to enter into RRPTs with the respective related parties as set out in Section 2.3, Part B, the Circular to the Shareholders dated 29 November 2016. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information on the Proposed Renewal of Shareholders' Mandate for RRPTs, please refer to the Circular to Shareholders dated 29 November 2016 which was circulated together with the 2016 Annual Report.

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

(a) Tan Sri Mohd Nadzmi Bin Mohd Salleh

Tan Sri Mohd Nadzmi Bin Mohd Salleh was appointed as an Independent Non-Executive Director of the Company on 24 October 1996 and has, therefore served for more than nine (9) years. As at the date of the notice of the 34th AGM, he has served the Company for 20 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 34th AGM, he has served the Company for 15 years. However, he has met the independence guidelines as set out in Chapter 1 of the MMLR. The Board, therefore, considers him to be independent and believes that he should be retained as Independent Non-Executive Director.

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

(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 34th 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.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders at the Thirty Fourth Annual General Meeting, a final single tier dividend of 0.8 sen per ordinary share of RM0.20 each for the financial year ended 31 July 2016, will be paid on 25 January 2017 to those registered in the Record of Depositors at the close of business on 12 January 2017.

A depositor shall qualify for entitlement to dividend only in respect of:

- a. Shares transferred into the Depositor's Securities Account before 4 p.m. on 12 January 2017 in respect of ordinary transfers; and
- b. Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

PERSONAL DATA PRIVACY

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

STATEMENT ACCOMPANYING NOTICE OF THIRTY FOURTH 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 3 |
| (b) | Datin Gan Chu Cheng | - Article 93 | RESOLUTION 4 |
| (c) | Mr Ng Yong Kang | - Article 93 | RESOLUTION 5 |

Further details of the above named Directors and their interest in the securities of the Company are set out in the profile of Directors on page 22 to 23 and page 134, 138 of the Annual Report respectively.

DIRECTORS' PROFILE

Datuk Beh Kim Ling Executive Chairman

Datuk Beh Kim Ling, aged 58, male, a Malaysian, was appointed to the Board on 4 August 1982. He brings to the Board more than thirty years of contract manufacturing experience in the plastic injection and electronics & electrical assembly industries.

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

He holds directorship positions in various subsidiary companies of the Company and also in other private limited companies. Datuk Beh is the brother-in-law to Datuk Gan Sem Yam and Dato' Gan Tiong Sia. Datuk Beh has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past five (5) years.

Datuk Gan Sem Yam Managing Director

Datuk Gan Sem Yam, aged 60, male, a Malaysian, is the Managing Director of V.S. Industry Berhad. He is also a member of the Nomination and Remuneration Committees.

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

Datuk Gan was instrumental in the business integration and expansion of the Group since 1990. He sits on the board of various subsidiary companies of the Company and also holds directorship in other private limited companies. Datuk Gan is the brother to Datin Gan Chu Cheng and Dato' Gan Tiong Sia and brother-in-law to Datuk Beh Kim Ling. Datuk Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past five (5) years.

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

Tan Sri Mohd Nadzmi Mohd Salleh aged 62, male, a Malaysian, joined the Board on 24 October 1996. He was nominated as the Senior Independent Non-Executive Director on 1 August 2005, and is a member of the Audit Committee.

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

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

Tan Sri Mohd Nadzmi obtained a Bachelor of Arts Degree in Economics and a Bachelor of Science Degree in Chemistry and Mathematics from Ohio University, USA in 1978. He later obtained a Master of Arts Degree in Economics and Statistics from Miami University, USA in 1980. Tan Sri Mohd Nadzmi does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

DIRECTORS' PROFILE

(cont'd)

Datin Gan Chu Cheng

Executive Director

Datin Gan Chu Cheng, aged 62, female, a Malaysian, was appointed to the Board on 4 August 1982. She is responsible for the finance and corporate planning of the Group. Together with her husband, Datin Gan established V.S. Industry Berhad in 1982. Equipped with good business acumen and more than 20 years of enterprise building experience, she had played a key role in the Group's expansion, both locally and overseas.

She sits on the board of various subsidiary companies of the Company and also holds directorship in other private limited companies. Datin Gan is the spouse of Datuk Beh Kim Ling and sister to Datuk Gan Sem Yam and Dato' Gan Tiong Sia. Datin Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. She has not been convicted of any offences within the past five (5) years.

Dato' Gan Tiong Sia

Executive Director

Dato' Gan Tiong Sia, aged 56, male, a Malaysian, was appointed to the Board on 27 February 1988. He joined the Company in 1982 as a Management Trainee and was promoted to Marketing Manager in 1986. He is responsible for the overall marketing function of the Group.

He also sits on the board of various subsidiary companies of the Company. Dato' Gan is the brother to Datin Gan Chu Cheng and Datuk Gan Sem Yam and brother-in-law to Datuk Beh Kim Ling. Dato' Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past five (5) years.

Ng Yong Kang

Executive Director

Ng Yong Kang, aged 55, male, a Malaysian, joined the Board on 1 August 2005.

He comes with extensive engineering and operations experience in the manufacturing sector, with multinational corporations like General Electric (TV) Sdn. Bhd., Thomson Audio Muar Sdn. Bhd., Lion Plastic Industry Sdn. Bhd. and Likom Group of Companies. He also sat on the board of several private companies in Malaysia, Singapore, People's Republic of China, United States of America and Mexico.

Mr. Ng joined the Group in 2002 as a Group General Manager, and was subsequently promoted to his current position. He graduated from the National Taiwan University, Taiwan, Republic of China with a Bachelor of Science in Mechanical Engineering in 1985, obtained a Diploma in Management from the Malaysian Institute of Management in 1992, and has a Master in Business Administration from the Heriot-Watt University, Edinburgh, Scotland, United Kingdom in 2002.

He also sits in the board of various subsidiary companies of the Company. Mr. Ng does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

DIRECTORS' PROFILE

(cont'd)

Pan Swee Keat

Independent Non-Executive Director

Pan Swee Keat, aged 53, male, 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 five (5) years.

Tang Sim Cheow

Independent Non-Executive Director

Tang Sim Cheow, aged 57, male, 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 five (5) years.

Chong Chin Siong

Alternate Director to Datin Gan Chu Cheng

Chong Chin Siong, aged 49, male, a Malaysian, was appointed to the Board on 1 August 2014.

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

He has extensive experience in internal audit, corporate finance and financial management, started his career with Deloitte KassimChan in 1992, and later joined Leong Hup Holdings Berhad as Assistant Accountant. In 1997, he joined Harta Packaging Industries Sdn. Bhd. as Financial Analyst, where he was promoted to Internal Audit Manager, and subsequently Financial Controller. He assumed the position of Deputy General Manager with Harta Packaging Industries (Cambodia) Ltd in 2005, before becoming Assistant General Manager with PCCS Garments Ltd, Cambodia.

Mr. Chong joined V.S. International Group Limited as Corporate Financial Controller in 2009, before assuming the role of Group Financial Controller in 2014.

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

SENIOR MANAGEMENT TEAM

Mohamad Bin Yusof

President Director, PT. V.S. Technology Indonesia

Mohamad bin Yusof, aged 51, male, a Malaysian, joined the Group in 1991 as Production Executive, and was subsequently promoted to Factory Manager in 1995. He was appointed as Vice President Director of PT. V.S. Technology Indonesia in 2002, and was subsequently promoted to President Director in 2005.

Mr. Mohamad holds a Certificate in Electronic. Prior to joining the Group, he held production roles in various companies in the electronics sector.

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

Lee Yoon Sang

Senior General Manager

Lee Yoon Sang, aged 65, male, a citizen of Singapore, joined the Group in 2005 as General Manager, and was subsequently promoted to Senior General Manager in 2014. He has 40 years of experience in the Electronics and Semiconductors industries.

Mr. Lee is the brother-in-law of Datuk Gan Sem Yam. Mr. Lee does not have any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.

Gan Pee Ke'ng

Senior General Manager

Gan Pee Ke'ng, aged 48, male, a Malaysian, joined the Group in 1989 as management trainee, and was subsequently promoted to General Manager in 2005. He was appointed as Senior General Manager in 2011. He has more than 20 years of experience in the plastic injection, finishing, electronics and electrical assembly industries.

Mr. Gan is the nephew of Datuk Gan Sem Yam, Datin Gan Chu Cheng and Dato' Gan Tiong Sia. Mr. Gan does not have any conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years.



FINISHED
GOOD

CORPORATE GOVERNANCE STATEMENT

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

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

A. PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

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

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

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. During the financial year ended 31 July 2016, the Board has convened four (4) meetings at which, among other things, the following activities were conducted:-

- Approved the annual report for the financial year ended 31 July 2015 and matters to be considered at the 2016 annual general meeting;
- Reviewing and adopting strategic corporate plans for the Group;
- Approving the Group's annual budget, including major capital commitments and carries out periodic review of the achievements against business targets;
- Approving new ventures, material acquisitions and disposals of undertaking and properties;
- Approved the quarterly results of the Group;
- Overseeing and evaluating the conduct of the Group's business;
- Identifying principal risks and ensuring the implementation of a proper risk management system and mitigation measures to manage these risks;
- Developing and implementing of investor relations program; and
- Reviewing the adequacy and the integrity of the management information and internal controls systems of the Group

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

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

The Group is committed to operating in a sustainable manner and seek to contribute positively to the well-being of stakeholders. Details of the Group's key corporate responsibility is furnished in the Sustainability Report on page 36 of the Annual Report.

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

CORPORATE GOVERNANCE STATEMENT

(cont'd)

B. PRINCIPLE 2: STRENGTHEN COMPOSITION

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

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

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

The membership of the Nomination Committee are as follows:

Chairman

Tang Sim Cheow (*Independent Non-Executive Director*)

Members

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

Datuk Gan Sem Yam (*Managing Director*)

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

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

The terms of reference of the Nomination Committee are available for reference at www.vs-i.com.

The activities of the Nomination Committee during the financial year included the following:

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

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.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

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 available for reference at www.vs-i.com.

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 for the financial year ended 31 July 2016 are as follows:

The Company	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Salary	2,568	-	2,568
Bonus	801	-	801
Other emoluments	3,245	-	3,245
EPF	817	-	817
Benefits-in-kind	112	-	112
Fees	114	298	412
	7,657	298	7,955

The Group	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Salary	11,266	-	11,266
Bonus	1,815	-	1,815
Other emoluments	6,074	-	6,074
EPF	1,678	-	1,678
Benefits-in-kind	112	-	112
Fees	210	426	636
	21,155	426	21,581

CORPORATE GOVERNANCE STATEMENT

(cont'd)

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

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	-	1
RM200,001 to RM250,000	-	1
RM1,300,001 to RM1,350,000	1	-
RM2,050,001 to RM2,100,000	1	-
RM3,300,001 to RM3,350,000	1	-
RM3,550,001 to RM3,600,000	1	-
RM4,900,001 to RM4,950,000	1	-
RM5,900,001 to RM5,950,000	1	-
	6	3

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

C. PRINCIPLE 3: REINFORCE INDEPENDENCE

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

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

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

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

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

The Board has adopted the same criteria used in the definition of "independent directors" prescribed by the MMLR to assess independence of directors. For the financial year ended 31 July 2016, each of the Independent Non-Executive Directors has declared his independence to the Board based on its policy on criteria of assessing independence in line with the definition of "independent directors" prescribed by MMLR. The Board has assessed and concluded that each of the Independent Non-Executive Directors continue to demonstrate conduct and behavior that are essential indicators of independence, and each of them is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

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

D. PRINCIPLE 4: FOSTER COMMITMENT

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

(cont'd)

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

Name of Director	Topic of seminar/briefing
Datuk Beh Kim Ling	Directors' Duties and Responsibilities And Updates on the Listing Requirements by Bursa Malaysia
Datuk Gan Sem Yam	Directors' Duties and Responsibilities And Updates on the Listing Requirements by Bursa Malaysia
Datin Gan Chu Cheng	Directors' Duties and Responsibilities And Updates on the Listing Requirements by Bursa Malaysia
Dato' Gan Tiong Sia	Directors' Duties and Responsibilities And Updates on the Listing Requirements by Bursa Malaysia
Ng Yong Kang	Directors' Duties and Responsibilities And Updates on the Listing Requirements by Bursa Malaysia
Tan Sri Mohd Nadzmi Bin Mohd Salleh	Financial Communication and Effective Media Management
Tang Sim Cheow	National GST Conference 2016 Directors' Duties and Responsibilities And Updates on the Listing Requirements by Bursa Malaysia
Pan Swee Keat	Directors' Duties and Responsibilities And Updates on the Listing Requirements by Bursa Malaysia
Chong Chin Siong	KPMG Tax Summit 2015 Sustainability Reporting Workshops for Practitioners Directors' Duties and Responsibilities And Updates on the Listing Requirements by Bursa Malaysia

E. PRINCIPLE 5: UPHOLD INTEGRITY AND FINANCIAL REPORTING

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

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

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

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

F. PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

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

CORPORATE GOVERNANCE STATEMENT

(cont'd)

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 pages 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 of 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 Tan Sri Mohd Nadzmi Bin Mohd Salleh as the Senior Independent Non-Executive Director to whom concerns may be conveyed.

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

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 2016 or entered into since the end of the previous financial year.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

(ii) Non-Audit Fees

The amount of audit fees and non-audit fees incurred for the financial year ended 31 July 2016 for services rendered by the Company's external auditors are as follows:-

Fee incurred	Audit Fees RM'000	Non-Audit Fees RM'000
Company	154	9
Group	291	9

(iii) Utilisation of Proceeds

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

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

Note:

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

(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 RM0.20 each ('000)		
	Directors	Employees	Total
Total options granted	27,000	127,000	154,000
Total options exercised/lapsed	(4,880)	(28,819)	(33,699)
Total options outstanding	22,120	98,181	120,301

Pursuant to the Company's ESOS By-laws, the aggregate maximum allocation to the Directors and senior management shall not exceed 50% of the options available under the scheme. Since the commencement of the scheme, 35.13% of the options granted under the scheme have been granted to Directors and senior management.

No options were granted during the financial year.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

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

Name of Director	Number of options granted since commencement	Number of options exercised
Tan Sri Mohd Nadzmi Bin Mohd Salleh	500,000	100,000
Tang Sim Cheow	500,000	100,000
Pan Swee Keat	500,000	50,000

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

At the Annual General Meeting held on 5 January 2016, 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 27 November 2015.

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 2016 pursuant to the shareholders' mandate are disclosed as follows:

Transacting Parties	Related Parties	Nature of Transactions	Amount transacted during the financial year RM'000
VSI Group and VSIG Group	Datuk Beh Kim Ling Datin Gan Chu Cheng Datuk Gan Sem Yam Dato' Gan Tiong Sia	Purchases of tooling, bins, resins, plastic component parts and equipments	879
VSI Group and VSME/Serumi	Datuk Gan Sem Yam Dato' Gan Tiong Sia	Sales of plastic or electronic component, parts and products	1,415
VSI Group and Lip Sheng International Ltd / Lip Sheng Precision (Zhuhai) Co., Ltd	Datin Gan Chu Cheng Datuk Gan Sem Yam Dato' Gan Tiong Sia Datuk Beh Kim Ling	Purchases of tooling, sales related to tooling fabrication and sales commission income	1,133
VSI Group and Beeantah Pte. Ltd.	Datuk Gan Sem Yam	Purchases of small metal parts, resins, etc	32,376

Abbreviations

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

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 9 consecutive years from 2007 to 2015.
- We commit excellence on product innovation, via the undertaking of continual R&D initiatives with our customers.
- We focus on continuously developing our existing clients to create long-term partnerships.
- We endeavour to comply with best practices under the Malaysian Code on Corporate Governance. A sound system of corporate governance is in place to enhance and protect shareholders’ value for the long term.

AUDIT COMMITTEE REPORT

MEMBERSHIP

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

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

MEETINGS

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

The Executive Directors, the representative of the Internal Audit, the representatives of the external auditors, Messrs KPMG, members of the management and employees of the Group were present as and when invited. The Audit Committee members have met with the external auditors twice without the presence of management during the financial year to discuss any areas of concern which the external auditors may wish to bring to notice of the members and for the members to discuss or seek clarification on accounting or other matters.

Details of attendance are listed below:

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

TERMS OF REFERENCE

The details of the terms of reference of the Audit Committee are available for reference at www.vs-i.com.

SUMMARY OF ACTIVITIES

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

1. Financial reporting

- Reviewed the quarterly financial results and announcement as well as annual financial statements of the Group prior to recommending the same for the Board's approval;
- In the review of the quarterly financial results and annual audited financial statements, the Audit Committee discussed with the Management and the external auditors, amongst others, the accounting policies and standards that were applied and their judgment of the items that may affect the financial results and the financial statements;
- Confirmed with the Management and the external auditors that the annual financial statements of the Group have been prepared in compliance with applicable Malaysian Financial Reporting Standards.

AUDIT COMMITTEE REPORT

(cont'd)

2. Internal Audit

- Reviewed and approved the annual audit plan proposed by the internal auditors to ensure the adequacy of the scope and coverage of work in relation to the risk management framework, key business risk exposure and risk appetite of the Group;
- Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of the overall Internal Audit function;
- Reviewed the internal audit reports on their findings, recommendations and Management's response to these recommendations. Where appropriate, the Audit Committee has directed that control procedures be rectified and improved based on the internal auditors' recommendations and suggestions for improvement.

3. External Audit

- Reviewed the external auditors' audit plan, audit strategy and scope of work for the financial year;
- Reviewed the results of annual audit, audit report and management letter together with Management's response to their findings;
- Assessed the independence and objectivity of the external auditors and the services provided, including non-audit services. Assurance was also obtained from the external auditors regarding their independence;
- Recommended reappointment of the external auditors and remuneration to the Board.

4. Related Party Transactions

Reviewed on a quarterly basis 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.

Internal audit reports incorporating the findings, recommendations and management's response with regard to any audit findings on the weaknesses in the systems and controls of the operations were tabled at the Audit Committee meetings on a quarterly basis. The Internal Audit Department also followed up with management on the implementation of the agreed audit recommendations.

The total costs incurred in connection with the internal audit function during the financial year amounted to RM952,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

BOARD'S RESPONSIBILITY

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

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

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

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

RISK MANAGEMENT PROCESSES

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

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

The RMC of the subsidiaries in the People's Republic of China is in the process of setting up the risk management framework.

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

The Group implemented the Enterprise Risk Management ("ERM") framework to identify, evaluate, monitor and manage all key risks faced by the Group. In this regard, Risk Management Unit ("RMU") have been established to:-

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

RMU members are nominated employees from each Department and is headed by the Head of Business Unit i.e. General Managers.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

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

INTERNAL CONTROL PROCESSES

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

- The Board and the Audit Committee meet every quarter to discuss matters raised by Management and Internal Audit on business and operational matters including potential risks and control issues. The Managing Director also reports to the Board on significant changes in business and external environment.
- Quarterly financial reports which includes key financial information of major subsidiaries are submitted to the Board by the Group Financial Controller.
- Internal policies and standard operating procedures are appropriately communicated and clearly documented in manuals which are reviewed and revised when necessary to meet changing business, operational and statutory reporting needs.
- Adequate insurance and physical safeguards on major assets are in place to ensure assets of the Group are sufficiently covered.
- A Code of Ethics for all employees which defines the ethical standards and conduct at work is communicated to all employees.

INTERNAL AUDIT DEPARTMENT

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

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

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

ASSURANCE FROM MANAGEMENT

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

The Board has also received assurance from the Group Managing Director and Group Financial Controller that the Group's risk management and internal control system are operating adequately and effectively in all material aspects based on the risk management and internal control system adopted by the Group.



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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of those relating to investment holding and the manufacturing, assembling and sale of electronic and electrical products and plastic moulded components and parts. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	117,928	59,649
Non-controlling interests	(13,690)	--
	<u>104,238</u>	<u>59,649</u>

RESERVES AND PROVISIONS

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

DIVIDENDS

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

- i) a fourth interim single tier dividend of 1.2 sen per ordinary share of RM0.20 each totalling RM13,874,758 in respect of the year ended 31 July 2015 on 30 October 2015;
- ii) a final single tier dividend of 1.2 sen per ordinary share of RM0.20 each totalling RM13,956,554 in respect of the year ended 31 July 2015 on 29 January 2016;
- iii) a first interim single tier dividend of 1.5 sen per ordinary share of RM0.20 each totalling RM17,443,324 in respect of the year ended 31 July 2016 on 11 March 2016;
- iv) a second interim single tier dividend of 0.8 sen per ordinary share of RM0.20 each totalling RM9,303,109 in respect of the year ended 31 July 2016 on 13 May 2016;
- v) a third interim single tier dividend of 0.8 sen per ordinary share of RM0.20 each totalling RM9,359,413 in respect of the year ended 31 July 2016 on 28 July 2016; and
- vi) a fourth interim single tier dividend of 0.8 sen per ordinary share of RM0.20 each totalling RM9,366,357 in respect of the year ended 31 July 2016 on 28 October 2016.

DIRECTORS' REPORT

(cont'd)

The Directors recommended a final single tier dividend of 0.8 sen per ordinary share totalling RM9,367,357 in respect of the year ended 31 July 2016 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

These financial statements do not reflect the fourth interim single tier dividend and the proposed final dividend, which will be accounted for in the statement of changes in equity as an appropriation of retained earnings in the year ending 31 July 2017.

DIRECTORS OF THE COMPANY

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

Directors

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

Alternate

Mr. Chong Chin Siong

DIRECTORS' REPORT

(cont'd)

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)										
RM1.00 each					RM0.20 each					
At 1 August 2015		Bought/ ESOS Exercised	Sold	Balance	Share split	Bought/ ESOS Exercised	Sold	At 31 July 2016		
Name of Directors	Interest									
Company Ordinary shares										
Datuk Beh Kim Ling	Direct Deemed	23,076 28,794	2,000 120	(2,300) --	22,776 28,914	91,105 115,654	850 1,060	(400) (20,500)	114,331 125,128	
Datin Gan Chu Cheng	Direct Deemed	19,570 32,300	-- 2,120	-- (2,300)	19,570 32,120	78,281 128,478	-- 1,910	(20,000) (900)	77,851 161,608	
Datuk Gan Sem Yam	Direct Deemed	13,729 2,413	-- --	-- --	13,729 2,413	54,914 9,653	-- 100	-- --	68,643 12,166	
Dato' Gan Tiong Sia	Direct	4,340	--	--	4,340	17,359	--	--	21,699	
Mr. Ng Yong Kang	Direct Deemed	40 --	-- --	-- --	40 --	160 --	850 50	(100) --	950 50	
Tan Sri Mohd Nadzmi bin Mohd Salleh	Direct	150	--	--	150	600	100	--	850	
Mr. Tang Sim Cheow	Direct	38	--	--	38	152	100	(290)	--	
Mr. Pan Swee Keat	Direct	--	--	--	--	--	50	--	50	
Mr. Chong Chin Siong	Direct Deemed	80 39	-- --	-- --	80 39	320 156	610 30	(380) --	630 225	

DIRECTORS' REPORT

(cont'd)

		← Number of Warrants ('000) →				
Name of Directors	Interest	At 1 August 2015	Acquired*	Bought	Sold	At 31 July 2016
Datuk Beh Kim Ling	Direct	--	28,583	--	--	28,583
	Deemed	--	31,105	--	--	31,105
Datin Gan Chu Cheng	Direct	--	19,463	--	--	19,463
	Deemed	--	40,224	--	--	40,224
Datuk Gan Sem Yam	Direct	--	17,161	--	--	17,161
	Deemed	--	3,017	--	--	3,017
Dato' Gan Tiong Sia	Direct	--	5,425	--	--	5,425
Mr. Ng Yong Kang	Direct	--	263	--	(100)	163
Tan Sri Mohd Nadzmi bin Mohd Salleh	Direct	--	213	--	--	213
Mr. Tang Sim Cheow	Direct	--	50	--	(50)	--
Mr. Pan Swee Keat	Direct	--	13	--	--	13
Mr. Chong Chin Siong	Direct	--	170	100	(170)	100
	Deemed	--	49	--	--	49

* Acquired pursuant to the Company's bonus warrants.

		Number of ordinary shares ('000)				
Name of Directors	Interest	At 1 August 2015	Bought	Sold	At 31 July 2016	
Subsidiaries						
- V.S. Ashin Technology Sdn. Bhd.						
<i>Ordinary shares of RM1.00 each</i>						
Datuk Beh Kim Ling	Deemed	5,880	--	--	5,880	
Datin Gan Chu Cheng	Direct	672	--	--	672	
	Deemed	5,208	--	--	5,208	
Datuk Gan Sem Yam	Direct	747	--	--	747	
- VS Marketing & Engineering Pte. Ltd.						
<i>Ordinary shares</i>						
Datuk Beh Kim Ling	Deemed	1,224	--	--	1,224	
Datin Gan Chu Cheng	Deemed	1,224	--	--	1,224	
Datuk Gan Sem Yam	Deemed	816	--	--	816	
Dato' Gan Tiong Sia	Deemed	120	--	--	120	
- Serumi International Private Limited						
<i>Ordinary shares</i>						
Datuk Beh Kim Ling	Deemed	1,160	773	--	1,933	
Datin Gan Chu Cheng	Deemed	1,160	773	--	1,933	
Datuk Gan Sem Yam	Deemed	1,160	773	--	1,933	

DIRECTORS' REPORT

(cont'd)

		Number of ordinary shares ('000)			
		At 1 August 2015			At 31 July 2016
Name of Directors	Interest		Bought	Sold	
Subsidiaries					
- <i>V.S. International Group Limited</i> <i>Ordinary shares of HKD0.05 each</i>					
Datuk Beh Kim Ling	Direct	67,962	2,400	--	70,362
	Deemed	846,357	--	--	846,357
Datin Gan Chu Cheng	Direct	24,269	--	--	24,269
	Deemed	890,050	2,400	--	892,450
Datuk Gan Sem Yam	Direct	35,737	--	--	35,737
Dato' Gan Tiong Sia	Direct	17,215	500	(500)	17,215
Mr. Tang Sim Cheow	Direct	639	--	--	639

*- V.S. Corporation (Hong Kong)
Co., Limited
Non-voting deferred share of
HKD1.00 each*

Datuk Beh Kim Ling	Direct	3,750	--	--	3,750
	Deemed	3,750	--	--	3,750
Datin Gan Chu Cheng	Direct	3,750	--	--	3,750
	Deemed	3,750	--	--	3,750
Datuk Gan Sem Yam	Direct	3,750	--	--	3,750
Dato' Gan Tiong Sia	Direct	3,750	--	--	3,750

Name of Directors	Interest	Number of ordinary shares		At 31 July 2016
		At 1 August 2015	Bought Sold	

Subsidiaries

*- 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

DIRECTORS' REPORT

(cont'd)

Name of Directors	Number of options ('000) over ordinary shares of HKD0.05 each		
	At 1 August 2015	Exercised	At 31 July 2016
Subsidiaries			
- <i>V.S. International Group Limited</i>			
Datuk Beh Kim Ling	9,600	--	9,600
Datin Gan Chu Cheng	6,400	--	6,400
Datuk Gan Sem Yam	9,600	--	9,600
Dato' Gan Tiong Sia	3,000	(500)	2,500
Mr. Tang Sim Cheow	1,200	--	1,200

Name of Directors	Option price	Number of options ('000) over ordinary shares			At 31 July 2016	
		RM1.00 each	←	→		RM0.20 each
		At 1 August 2015	Share split	Exercised		
Company						
Datuk Beh Kim Ling	RM0.70	850	3,400	(850)	3,400	
Datin Gan Chu Cheng	RM0.70	680	2,720	--	3,400	
Datuk Gan Sem Yam	RM0.70	680	2,720	--	3,400	
Dato' Gan Tiong Sia	RM0.70	680	2,720	--	3,400	
Mr. Ng Yong Kang	RM0.70	850	3,400	(850)	3,400	
Tan Sri Mohd Nadzmi bin Mohd Salleh	RM0.70	100	400	(100)	400	
Mr. Tang Sim Cheow	RM0.70	100	400	(100)	400	
Mr. Pan Swee Keat	RM0.70	100	400	(50)	450	
Mr. Chong Chin Siong	RM0.70	850	3,400	(380)	3,870	

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

DIRECTORS' BENEFITS

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

DIRECTORS' REPORT

(cont'd)

ISSUE OF SHARES

During the financial year, the Company issued:

- a) 184,400 new ordinary shares of RM1.00 each for cash arising from the exercise of the employees' share options at an exercise price of RM3.51 per ordinary share;
- b) share split involving the subdivision of every existing one (1) ordinary share of RM1.00 each in the Company into five (5) ordinary shares of RM0.20 each in the Company;
- c) 8,329,800 new ordinary shares of RM0.20 each for cash arising from the exercise of the employees' share options at an exercise price of RM0.70 per ordinary share; and
- d) 12,353,500 new ordinary shares of RM0.20 each at the exercise price of RM0.70 per ordinary share under the shares held-in-trust as disclosed in Note 14 to the financial statements.

At the Annual General Meeting held on 5 January 2016, 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 170,000 of its issued ordinary shares. The average repurchase price was RM1.23. 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.

ISSUE OF WARRANTS

The Company issued 290,742,787 free Warrants on the basis of one (1) Warrant for every four (4) existing shares held, which were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 13 January 2016.

The Warrants are constituted by the deed poll dated 15 December 2015.

The main features of the Warrants are as follows:

- a) Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share of RM0.20 each in the Company at the exercise price of RM1.65 during the exercise period, subject to the adjustments in accordance with the Deed Poll constituting the Warrants;
- b) The Warrants may be exercised at any time on or after 13 January 2016 until the end of the tenure of the Warrants. The tenure of the Warrants is for a period of three (3) years from 7 January 2016;
- c) The new shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respects with the then existing share of the Company except that they will not be entitled to any dividends, rights, allotments and/or distributions declared, made or paid by the Company prior to be the relevant date of allotment and issue of the new shares to be issued pursuant to the exercise of the Warrants;
- d) For purpose of trading on Bursa Securities, a board lot for the Warrants shall comprise one hundred (100) Warrants carrying right to subscribe for 100 new shares at any time during the exercise period or such denomination as determined by Bursa Securities; and
- e) The Deed Poll and accordingly the Warrants are governed by and shall be construed in accordance with the laws of Malaysia.

No Warrants were exercised during the financial year. As at year end, 290,742,787 Warrants remained unexercised.

DIRECTORS' REPORT

(cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the ESOS.

At an Extraordinary General Meeting held on 8 May 2015, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued and paid-up ordinary share capital of the Company to eligible Directors and employees of the Group.

The salient features of the ESOS are as follows:

- a) The ESOS is administered by a committee appointed by the Board of Directors.
- b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed fifteen per centum (15%) of the issued and paid-up ordinary share capital of the Company at any point of time during the duration of the ESOS and further, the following shall be complied with:
 - i) Not more than fifty per centum (50%) of the ordinary shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management; and
 - ii) Not more than ten per centum (10%) of the ordinary shares available under the ESOS shall be allocated to any eligible employee who, either singly or collectively through his or her associates, holds twenty per centum (20%) or more of the issued and paid-up ordinary share capital of the Company.
- c) The eligible employee must be at least eighteen (18) years of age and have been confirmed and employed on a full time basis (other than a Director) on the date of offer.
- d) The subscription price for each ordinary share shall be the weighted average market price of the shares of the Company as shown in the Daily Official List issued by Bursa Securities for the five (5) market days immediately preceding the date of the offer with a discount of not more than ten per centum (10%) or the par value of the ordinary shares, whichever is higher.
- e) The option is personal to the grantee and is non-assignable.
- f) The options granted may be exercised at any time within the period of five (5) years commencing from 12 May 2015, subject to a further extension of five (5) years as the Board may determine.
- g) The option are exercisable to a maximum percentage of 20% of the number of options granted in each calendar year.
- h) The options shall be exercised in multiple of and not less than one hundred (100) options.
- i) Option exercisable in a particular year but not exercised can be carried forward to the subsequent years subject to the time limit of the Scheme.

DIRECTORS' REPORT

(cont'd)

The movements in outstanding options offered to take up unissued ordinary shares of RM0.20 each and the exercise price is as follows:

Date of offer	Exercise price	Number of options over ordinary shares of RM1.00 each ('000)				At 11 September 2015
		At 1 August 2015	Grant	Exercised	Forfeited	
12 May 2015	RM3.51	28,885	--	(672)	(60)	28,153

Date of offer	Exercise price	Number of options over ordinary shares of RM0.20 each ('000)				At 31 July 2016
		At 11 September 2015	Adjustment for share split	Exercised	Forfeited	
12 May 2015	RM0.70	28,153	112,612	(19,047)	(1,417)	120,301

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

OTHER STATUTORY INFORMATION

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

- all known bad debts have been written off and adequate provision has been made for doubtful debts, and
- any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- that would render the amount written off for bad debts or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT

(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, the financial performance of the Group and of the Company for the financial year ended 31 July 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

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

Datuk Gan Sem Yam

Dato' Gan Tiong Sia

Johor Bahru

11 November 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Property, plant and equipment	3	680,719	664,349	89,094	95,429
Prepaid lease payments	4	97,118	99,610	--	--
Investment properties	5	4,800	4,700	--	--
Intangible assets	6	2,718	2,333	--	--
Investments in subsidiaries	7	--	--	284,113	215,828
Investments in associates	8	9,628	8,101	--	--
Other investments	9	63,013	--	34,293	--
Prepayments	10	5,983	45,089	--	--
Deferred tax assets	11	9,987	12,144	--	--
Total non-current assets		873,966	836,326	407,500	311,257
Inventories	12	306,603	272,755	21,943	24,411
Trade and other receivables	10	583,436	500,681	49,943	53,594
Tax recoverable		2,037	2,174	906	1,986
Cash and cash equivalents	13	218,401	243,742	8,336	78,452
Total current assets		1,110,477	1,019,352	81,128	158,443
Total assets		1,984,443	1,855,678	488,628	469,700
Equity					
Share capital	14	235,169	230,848	235,169	230,848
Reserves	14	644,734	546,186	166,261	150,268
Equity attributable to owners of the Company		879,903	777,034	401,430	381,116
Non-controlling interests	7	185,980	202,591	--	--
Total equity		1,065,883	979,625	401,430	381,116
Liabilities					
Long term payables	15	4,322	4,322	--	--
Loans and borrowings	16	92,473	123,015	4,806	9,195
Deferred tax liabilities	11	47,500	50,783	7,324	8,844
Total non-current liabilities		144,295	178,120	12,130	18,039
Trade and other payables	17	440,558	396,190	45,386	43,593
Loans and borrowings	16	322,570	289,193	29,682	26,952
Taxation		11,137	12,550	--	--
Total current liabilities		774,265	697,933	75,068	70,545
Total liabilities		918,560	876,053	87,198	88,584
Total equity and liabilities		1,984,443	1,855,678	488,628	469,700

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 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue					
Goods sold		2,175,626	1,936,885	198,819	238,965
Cost of goods sold		(1,839,095)	(1,649,703)	(178,502)	(213,447)
Gross profit		336,531	287,182	20,317	25,518
Other income		25,919	49,065	72,874	11,169
Distribution expenses		(48,990)	(43,717)	(7,113)	(5,289)
Administrative expenses		(121,891)	(111,877)	(26,338)	(26,926)
Other expenses		(37,231)	(4,516)	(649)	(7)
Results from operating activities		154,338	176,137	59,091	4,465
Finance income		1,478	1,161	622	272
Finance costs	18	(15,570)	(16,043)	(1,359)	(1,698)
Net finance costs		(14,092)	(14,882)	(737)	(1,426)
Operating profit	19	140,246	161,255	58,354	3,039
Share of profit/(loss) of equity accounted associates, net of tax		1,620	(1,569)	--	--
Profit before tax		141,866	159,686	58,354	3,039
Tax (expense)/income	20	(37,628)	(34,221)	1,295	660
Profit for the year		104,238	125,465	59,649	3,699
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		19,191	51,088	--	--
Remeasurement of actuarial loss		(472)	--	--	--
Other comprehensive income for the year		18,719	51,088	--	--
Total comprehensive income for the year		122,957	176,553	59,649	3,699
Profit attributable to:					
Owners of the Company		117,928	132,739	59,649	3,699
Non-controlling interests		(13,690)	(7,274)	--	--
Profit for the year		104,238	125,465	59,649	3,699
Total comprehensive income attributable to:					
Owners of the Company		140,787	159,708	59,649	3,699
Non-controlling interests		(17,830)	16,845	--	--
Total comprehensive income for the year		122,957	176,553	59,649	3,699
Basic earnings per ordinary share (sen)	21	10.15	12.88		
Diluted earnings per ordinary share (sen)	21	9.68	12.35		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2016

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2016
(cont'd)

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2016
(cont'd)

		Attributable to owners of the Company									
		Non-distributable					Distributable				
Note		Shares held		Revaluation reserve		Exchange fluctuation reserve		Capital reserve		Employee share-based reserve	
		Share capital RM'000	Share premium RM'000	under trust RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		Share capital RM'000	Share premium RM'000	under trust RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share-based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Group											
At 1 August 2015		230,848	93,982	(4,972)	56,763	27,140	10,151	7,193	(1,582)	357,511	979,625
Foreign currency translation differences for foreign operation		--	--	--	--	23,331	--	--	--	--	19,191
Remeasurement of actuarial loss		--	--	--	--	--	--	--	--	(472)	(472)
Total other comprehensive income/(loss) for the year		--	--	--	--	23,331	--	--	--	(472)	(472)
Profit/(loss) for the year		--	--	--	--	--	--	--	--	117,928	104,238
Total comprehensive income for the year		--	--	--	--	23,331	--	--	--	117,456	122,957
<i>Contributions by and distributions to owners of the Company</i>											
Shares buy back		--	--	--	--	--	--	--	(210)	--	(210)
Equity settled share based transaction		--	--	--	--	--	--	--	--	--	--
- Share option granted		--	3,755	--	--	--	--	9,254	--	--	174
- Share option exercised		--	--	--	--	--	--	(3,755)	--	--	--
- Shares issued pursuant to ESOS		1,850	4,628	8,648	--	--	--	--	--	--	15,126
- Shares issued pursuant to ESOS Trust Funding ("ETF")		2,471	6,177	(8,072)	--	--	--	--	--	--	576
Dividends to owners of the Company		--	--	--	--	--	--	--	--	(63,937)	(63,937)
		4,321	14,560	576	--	--	--	5,499	(210)	(63,937)	(39,017)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2016
(cont'd)

Note	Attributable to owners of the Company											
	Non-distributable						Distributable					
	Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	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
Change in ownership interests in subsidiaries	--	--	--	--	--	--	--	--	1,273	1,273	(1,273)	--
Increase in share capital in subsidiaries	--	--	--	--	--	--	--	--	--	--	2,318	2,318
Total transactions with owners of the Group	4,321	14,560	576	--	--	--	5,499	(210)	(62,664)	(37,918)	1,219	(36,699)
Transferred from retained earnings	--	--	--	--	--	2,122	--	--	(2,122)	--	--	--
Realisation of revaluation reserve	--	--	--	(1,343)	--	--	--	--	1,343	--	--	--
At 31 July 2016	235,169	108,542	(4,396)	55,420	50,471	12,273	12,692	(1,792)	411,524	879,903	185,980	1,065,883

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2016

	Attributable to owners of the Company							
	Non-distributable					Distributable		
	Share capital RM'000	Share premium RM'000	Shares held under trust RM'000	Revaluation reserve RM'000	Employee Share-based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Company								
At 1 August 2014	186,355	6,187	--	24,905	7,282	(1,536)	68,696	291,889
Profit for the year/								
Total comprehensive income for the year	--	--	--	--	--	--	3,699	3,699
<i>Contributions by and distributions to owners of the Company</i>								
Shares buy back	--	--	--	--	--	(46)	--	(46)
Equity settled share-based transaction	--	--	--	--	7,541	--	--	7,541
- Share option granted	--	9,135	--	--	(9,135)	--	--	--
- Share option exercised	--	--	--	--	(153)	--	153	--
- Share option lapsed	--	--	--	--	--	--	--	--
- Shares issued pursuant to ESOS	22,497	16,863	--	--	--	--	--	39,360
- Shares issued pursuant to ESOS Trust Funding ("ETF")	1,416	3,556	(4,972)	--	--	--	--	--
Private placement	20,580	58,241	--	--	--	--	--	78,821
Dividends to owners of the Company	--	--	--	--	--	--	(40,148)	(40,148)
Total transactions with owners of the Company	44,493	87,795	(4,972)	--	(1,747)	(46)	(39,995)	85,528
Realisation of revaluation reserve	--	--	--	(492)	--	--	492	--
Disposal of property	--	--	--	--	--	--	--	--
- Reversal of revaluation net of tax	--	--	--	(1,074)	--	--	1,074	--
At 31 July 2015	230,848	93,982	(4,972)	23,339	5,535	(1,582)	33,966	381,116

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2016
(cont'd)

Note	Attributable to owners of the Company									
	Non-distributable					Distributable				
	Share capital RM'000	Share premium RM'000	Share held under trust RM'000	Revaluation reserve RM'000	Share-based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000		
Company										
At 1 August 2015	230,848	93,982	(4,972)	23,339	5,535	(1,582)	33,966	381,116		
Profit for the year/	--	--	--	--	--	--	59,649	59,649		
Total comprehensive income for the year										
<i>Contributions by and distributions to owners of the Company</i>										
Shares buy back	--	--	--	--	--	(210)	--	(210)		
Equity settled share-based transaction	--	--	--	--	--	--	--	--		
- Share option granted	--	3,755	--	--	9,110	--	--	9,110		
- Share option exercised	--	4,628	--	--	(3,755)	--	--	--		
- Shares issued pursuant to ESOS	1,850	8,648	8,648	--	--	--	--	15,126		
- Shares issued pursuant to ESOS Trust Funding ("ETF")	2,471	6,177	(8,072)	--	--	--	--	576		
Dividends to owners of the Company	--	--	--	--	--	--	(63,937)	(63,937)		
Total transactions with owners of the Company	4,321	14,560	576	--	5,355	(210)	(63,937)	(39,335)		
Realisation of revaluation reserve	--	--	--	(492)	--	--	492	--		
At 31 July 2016	235,169	108,542	(4,396)	22,847	10,890	(1,792)	30,170	401,430		

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

STATEMENTS OF CASH FLOWS

For the year ended 31 July 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities					
Profit before tax		141,866	159,686	58,354	3,039
Adjustments for:-					
Amortisation of prepaid lease payments		2,667	2,276	--	--
Depreciation	3	69,379	60,805	8,836	9,142
Equity settled share-based transactions		10,094	8,536	3,618	3,056
Finance costs	18	13,777	14,186	1,301	1,649
Impairment loss/(Reversal) on:					
- trade receivables		(316)	2,035	--	6
- prepayments		21,767	--	--	--
- other investments		7,623	--	--	--
- property, plant and equipment		--	972	--	--
Share of (profit)/loss in associates		(1,620)	1,569	--	--
Changes in fair value of investment properties		(100)	(219)	--	--
Finance income		(1,478)	(1,161)	(622)	(272)
Property, plant and equipment:					
- written off		92	1,062	1	1
- loss/(gain) on disposal		266	1,714	47	(362)
(Reversal of)/Allowance for slow moving inventories		(7,503)	7,688	--	--
Unrealised loss/(gain) on foreign exchange		3,579	(8,151)	601	(153)
Operating profit before changes in working capital		260,093	250,998	72,136	16,106
Changes in inventories		(26,345)	(10,649)	2,468	2,140
Changes in trade and other receivables		(82,824)	(55,349)	4,108	38,277
Changes in trade and other payables		23,451	(100,385)	3,531	(32,631)
Cash generated from operations		174,375	84,615	82,243	23,892
Interest received		1,478	1,161	622	272
Tax (paid)/refunded		(40,030)	(29,324)	855	(743)
Net cash from operating activities		135,823	56,452	83,720	23,421

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

STATEMENTS OF CASH FLOWS

For the year ended 31 July 2016
(cont'd)

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	23	(68,914)	(64,302)	(5,825)	(8,276)
Additional investments in subsidiaries		--	--	(62,793)	(11,454)
Other investments		(73,747)	--	(34,293)	--
Proceeds from disposal of property, plant and equipment		7,619	2,616	480	514
Change in pledged deposits		2,992	(2,259)	--	--
Prepayments		17,339	(45,089)	--	--
Net cash used in investing activities		(114,711)	(109,034)	(102,431)	(19,216)
Cash flows from financing activities					
Repayment of long term borrowings		(33,664)	(11,983)	(3,939)	(5,667)
Payments of finance lease liabilities		(1,834)	(2,145)	(225)	(212)
Net drawdown from short term borrowings		25,084	7,879	2,505	1,335
Interest paid		(13,797)	(14,199)	(1,301)	(1,649)
Repurchase of treasury shares		(210)	(46)	(210)	(46)
Funds from non-controlling interests		2,318	76,676	--	--
Acquisition of non-controlling interest		--	(1,116)	--	--
Proceeds from issuance of shares		15,702	118,181	15,702	118,181
Dividend paid to owners of the Company		(63,937)	(44,776)	(63,937)	(44,776)
Net cash (used in)/from financing activities		(70,338)	128,471	(51,405)	67,166
Exchange differences on translation of the financial statements of foreign operations		23,331	26,969	--	--
Net (decrease)/increase in cash and cash equivalents		(25,895)	102,858	(70,116)	71,371
Cash and cash equivalents at 1 August		224,153	107,643	78,452	7,081
Foreign exchange differences on opening balance		972	13,652	--	--
Cash and cash equivalents at 31 July		199,230	224,153	8,336	78,452

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

Cash and bank balances	205,954	144,387	8,151	6,273
Deposits with licensed banks	4,496	88,412	185	72,179
Bank overdrafts	(11,220)	(8,646)	--	--
	199,230	224,153	8,336	78,452

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

NOTES TO THE FINANCIAL STATEMENTS

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

Principal place of business

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

Registered office

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

The consolidated financial statements of the Company as at and for the financial year ended 31 July 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 31 July 2016 do not include other entities.

The principal activities of the Company consist of those relating to the investment holding and manufacturing, assembling and sale of electronic and electrical products and plastic moulded components and parts. The principal activities of its subsidiaries are disclosed in Note 7.

These financial statements were authorised for issue by the Board of Directors on 11 November 2016.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

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

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective from a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

(i) **MFRS 15, Revenue from Contracts with Customers** and Clarifications to MFRS 15, *Revenue from Contracts with Customers*

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

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

(ii) **MFRS 9, Financial Instruments**

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

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

(iii) **MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

1. BASIS OF PREPARATION (CONT'D)

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(ii) Business combinations (cont'd)

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

(v) Associates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(v) Associates (cont'd)

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

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

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

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

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

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

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

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

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

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(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)).

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

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

Financial liabilities

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

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

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

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

(iii) Financial guarantee contracts

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

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

(iv) Regular way purchase or sale of financial assets

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

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

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

(v) Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (cont'd)

(v) Derecognition (cont'd)

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

Property, plant and equipment under the revaluation model

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

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

(ii) Subsequent costs

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation

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

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

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

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

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

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

(e) Leased assets

(i) Finance lease

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets (cont'd)

(ii) Operating lease

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

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

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

(f) Intangible assets

(i) Goodwill

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

(ii) Intangible assets

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

(iii) Amortisation

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

(g) Investment properties

(i) Investment properties carried at fair value

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

Investment properties are measured initially at cost and subsequently at fair value with any 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment properties (cont'd)

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

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

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

(ii) Reclassification to/from investment property

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

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

(h) Inventories

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

(j) Cash and cash equivalents

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

(k) Impairment

(i) Financial assets

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

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

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (cont'd)

(ii) Other assets (cont'd)

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

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

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

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

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

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Repurchase of share capital

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Equity instruments (cont'd)

(iii) Shares held under trust

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

(m) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Unutilised reinvestment allowance, investment tax allowance and enhanced export incentive being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Revenue and other income

(i) Goods sold

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

(ii) Interest income

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

(iii) Dividend income

Dividend income is recognised in profit or loss when the right to receive payment is established.

(iv) Rental income

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee benefits (cont'd)

(i) Short-term employee benefits (cont'd)

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

(ii) State plans

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

(iii) Share-based payment transactions

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

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

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

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

(q) Provision

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Contingencies

Contingent liabilities

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

(s) Earnings per ordinary share

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

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

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

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(u) Fair value measurement

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Capital work -in -progress RM'000	Total RM'000
Group						
At cost/valuation						
At 1 August 2014	421,544	665,439	62,899	19,188	263	1,169,333
Additions	2,160	58,088	5,245	4,228	540	70,261
Disposals	(341)	(16,342)	(3,678)	(3,738)	--	(24,099)
Written off	--	(1,718)	(828)	--	--	(2,546)
Transfers	314	--	--	--	(314)	--
Transfer to investment properties	(900)	--	--	--	--	(900)
Exchange differences	44,739	80,878	7,180	2,245	94	135,136
At 31 July 2015/1 August 2015	467,516	786,345	70,818	21,923	583	1,347,185
Additions	992	76,839	3,751	1,043	178	82,803
Disposals	--	(24,589)	(566)	(404)	--	(25,559)
Written off	--	(5,477)	(467)	--	--	(5,944)
Exchange differences	6,603	8,794	652	138	(9)	16,178
At 31 July 2016	475,111	841,912	74,188	22,700	752	1,414,663
Representing items at:						
Cost	278,792	841,912	74,188	22,700	752	1,218,344
Directors' valuation - 2013	196,319	--	--	--	--	196,319
	475,111	841,912	74,188	22,700	752	1,414,663
Accumulated depreciation						
At 1 August 2014	51,675	458,494	43,842	14,511	--	568,522
Depreciation charge	11,063	42,835	4,827	2,080	--	60,805
Disposals	(323)	(12,760)	(3,355)	(3,331)	--	(19,769)
Written off	--	(660)	(824)	--	--	(1,484)
Transfer to investment properties	(19)	--	--	--	--	(19)
Exchange differences	9,601	57,409	5,030	1,769	--	73,809
At 31 July 2015/1 August 2015	71,997	545,318	49,520	15,029	--	681,864
Depreciation charge	12,110	49,470	5,375	2,424	--	69,379
Disposals	--	(16,894)	(411)	(369)	--	(17,674)
Written off	--	(5,388)	(464)	--	--	(5,852)
Exchange differences	(54)	4,865	338	34	--	5,183
At 31 July 2016	84,053	577,371	54,358	17,118	--	732,900
Accumulated impairment loss						
Impairment loss/ At 31 July 2015	--	972	--	--	--	972
At 1 August 2015	--	972	--	--	--	972
Exchange differences	--	72	--	--	--	72
At 31 July 2016	--	1,044	--	--	--	1,044

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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

	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Group						
Carrying amounts						
At 1 August 2014	369,869	206,945	19,057	4,677	263	600,811
At 31 July 2015/ 1 August 2015	395,519	240,055	21,298	6,894	583	664,349
At 31 July 2016	391,058	263,497	19,830	5,582	752	680,719
	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000		Total RM'000
Company						
At cost/valuation						
At 1 August 2014		75,981	69,233	10,140	5,646	161,000
Additions		--	5,947	1,127	1,875	8,949
Disposals		--	(82)	--	(1,104)	(1,186)
Written off		--	--	(631)	--	(631)
Transfer to subsidiaries		(6,780)	(491)	(44)	--	(7,315)
At 31 July 2015/1 August 2015		69,201	74,607	10,592	6,417	160,817
Additions		59	1,947	523	--	2,529
Disposals		--	(1,560)	--	--	(1,560)
Written off		--	(1,161)	(93)	--	(1,254)
Net transfer from subsidiaries		--	4,531	1	--	4,532
At 31 July 2016		69,260	78,364	11,023	6,417	165,064
Representing items at:						
Cost		59	78,364	11,023	6,417	95,863
Directors' valuation - 2013		69,201	--	--	--	69,201
		69,260	78,364	11,023	6,417	165,064
Accumulated depreciation						
At 1 August 2014		1,447	45,010	8,091	3,773	58,321
Depreciation charge		1,367	6,039	852	884	9,142
Disposals		--	(82)	--	(952)	(1,034)
Written off		--	--	(630)	--	(630)
Transfer to subsidiaries		(248)	(123)	(40)	--	(411)
At 31 July 2015/1 August 2015		2,566	50,844	8,273	3,705	65,388
Depreciation charge		1,287	5,689	944	916	8,836
Disposals		--	(1,033)	--	--	(1,033)
Written off		--	(1,159)	(94)	--	(1,253)
Net transfer from subsidiaries		--	4,035	(3)	--	4,032
At 31 July 2016		3,853	58,376	9,120	4,621	75,970
Carrying amounts						
At 1 August 2014		74,534	24,223	2,049	1,873	102,679
At 31 July 2015/1 August 2015		66,635	23,763	2,319	2,712	95,429
At 31 July 2016		65,407	19,988	1,903	1,796	89,094

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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

3.1 Carrying amounts of land and buildings

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At valuation				
Freehold land	37,527	36,701	17,900	17,900
Leasehold land:				
- Long term	1,367	1,384	--	--
- Short term	8,986	8,885	--	--
Buildings	134,928	135,677	47,453	48,735
At cost				
Buildings	208,250	212,872	54	--
	<u>391,058</u>	<u>395,519</u>	<u>65,407</u>	<u>66,635</u>

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

3.2 Fair value information

Fair value of land and buildings are categorised as follows:

	Level 3	
	Group RM'000	Company RM'000
Freehold land	37,527	17,900
Leasehold land:		
- Long term	1,419	--
- Short term	9,741	--
Buildings	147,632	51,301
	<u>196,319</u>	<u>69,201</u>

Level 3 fair value

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

Valuation technique

Significant unobservable inputs

Comparison method:

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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

3.2 Fair value information (cont'd)

Highest and best use

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

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

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

3.3 Leased plant and machinery and motor vehicles

At 31 July 2016, the net carrying amount of leased plant and equipment of the Group and of the Company was RM19,260,000 (2015: RM7,900,597) and RM1,043,000 (2015: RM1,329,455) respectively.

3.4 Security

The leased plant and equipment and motor vehicles secured the lease obligations (see Note 16).

Certain property, plant and equipment of subsidiaries with carrying amount of RM178,280,000 (2015: RM188,381,000) are pledged as security for banking facilities granted to the said subsidiaries (see Note 16).

3.5 Others

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Freehold land	21,574	21,574	11,717	11,717
Leasehold land:				
- Long term	1,005	1,025	--	--
- Short term	5,726	5,875	--	--
Buildings	79,838	81,634	25,854	26,526
	108,143	110,108	37,571	38,243

Motor vehicles of the Group and of the Company with carrying amount of RM1,195,000 (2015: RM1,411,059) and RM906,000 (2015: RM1,411,059) respectively are registered in the names of the Directors held in trust for the companies. Included in the Group's additions of property, plant and equipment is an interest being capitalised of RM20,000 (2015: RM12,586) at a rate of 3.60% (2015: 3.90%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

4. PREPAID LEASE PAYMENTS

	Unexpired period less than 50 years RM'000
Group	
At cost	
At 1 August 2014	87,384
Exchange differences	17,137
At 31 July 2015/1 August 2015	104,521
Exchange differences	3,331
At 31 July 2016	107,852
Accumulated amortisation	
At 1 August 2014	2,063
Amortisation charge	2,276
Exchange differences	572
At 31 July 2015/1 August 2015	4,911
Amortisation charge	2,667
Exchange differences	3,156
At 31 July 2016	10,734
Carrying amounts	
At 1 August 2014	85,321
At 31 July 2015/1 August 2015	99,610
At 31 July 2016	97,118

Prepaid lease payments of certain subsidiaries with carrying amount of RM85,579,000 (2015: RM88,810,000) are pledged as security for banking facilities granted to the said subsidiaries (see Note 16).

5. INVESTMENT PROPERTIES

	Group	
	2016 RM'000	2015 RM'000
At 1 August 2015/2014	4,700	3,600
Transfer from property, plant and equipment	--	881
Change in fair value	100	219
At 31 July	4,800	4,700

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

Included in investment properties are:

	Group	
	2016 RM'000	2015 RM'000
Long term leasehold land	800	800
Freehold land	730	630
Buildings	3,270	3,270
	<u>4,800</u>	<u>4,700</u>

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

	Group	
	2016 RM'000	2015 RM'000
Rental income	69	12
Direct operating expenses		
- income generating	17	3
- non-income generating	--	15

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	Group/Level 3	
	2016 RM'000	2015 RM'000
Land	1,530	1,430
Buildings	3,270	3,270
	<u>4,800</u>	<u>4,700</u>

Level 3 fair value

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

Valuation technique

Comparison method:

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

Significant unobservable inputs

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

5.1 Fair value information (cont'd)

Valuation processes applied by the Group for Level 3 fair value

The fair value of the investment properties are determined by Directors by reference to the valuation conducted in August 2016 by independent professional valuers.

Highest and best use

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

6. INTANGIBLE ASSETS

	Group	
	2016 RM'000	2015 RM'000
License, royalties and other fees		
At cost		
At 1 August 2015/2014	2,333	2,150
Exchange difference	385	183
At 31 July	<u>2,718</u>	<u>2,333</u>

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

Impairment testing for cash-generating units containing intangible assets

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

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
At cost		
Quoted shares outside Malaysia	63,385	63,385
Unquoted shares	227,390	159,105
Less: Impairment loss	(6,662)	(6,662)
	<u>284,113</u>	<u>215,828</u>
Market value		
Quoted shares outside Malaysia	<u>181,376</u>	<u>201,301</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Country of incorporation	Effective ownership interest and voting interest	
			2016 %	2015 %
V.S. Plus Sdn. Bhd.	Manufacturing, assembly and sale of plastic moulded components and parts, and electrical products	Malaysia	100	100
V.S. Ashin Technology Sdn. Bhd.	Property letting	Malaysia	74.40	74.40
V.S. Electronics Sdn. Bhd.	Manufacturing, assembling and sale of electronic and electrical products, components and parts	Malaysia	100	100
V.S. Technology Sdn. Bhd.	Design and fabrication of tools and moulds	Malaysia	100	100
V.S. Integrated Management Sdn. Bhd.	Hostel management services	Malaysia	100	100
V.S. Holdings (M) Ltd#	Investment holding	Mauritius	100	100
PT. V.S. Technology Indonesia@	Assembling and sale of electronic products and injection moulding of plastic components	Indonesia	100	100
VS Marketing & Engineering Pte. Ltd.@	Trading of electronic components	Singapore	51	51
V S International Venture Pte. Ltd.*	Investment holding	Singapore	100	--
V.S. International Group Limited@ - Listed on Hong Kong Stock Exchange	Investment holding	Cayman Islands	43.66	43.92
<i>Subsidiaries of V.S. International Group Limited @</i>				
V.S. International Industry Limited	Investment holding	British Virgin Islands	43.66	43.92
V.S. Investment Holdings Limited	Dormant	British Virgin Islands	43.66	43.92

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal activities	Country of incorporation	Effective ownership interest and voting interest	
			2016 %	2015 %
Subsidiaries of V.S. International Group Limited @ (cont'd)				
V.S. Corporation (Hong Kong) Co., Limited	Trading of electronic products, parts and components and investment holding	Hong Kong	43.66	43.92
V.S. Technology Industry Park (Zhuhai) Co., Ltd.	Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components	People’s Republic of China	43.66	43.92
Haivs Industry (Qingdao) Co., Ltd.	Dormant	People’s Republic of China	43.66	43.92
Qingdao GS Electronics Plastic Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People’s Republic of China	43.66	43.92
Qingdao GP Electronic Plastics Co., Ltd.	Dormant	People’s Republic of China	43.66	43.92
Qingdao GP Precision Mold Co., Ltd.	Dormant	People’s Republic of China	43.66	43.92
VSA Holding Hong Kong Co., Limited	Investment holding	Hong Kong	43.66	43.92
VSA Electronics Technology (Zhuhai) Co., Ltd.	Assembling and selling of electronic products, parts and components	People’s Republic of China	43.66	43.92
V.S. Industry (Zhuhai) Co., Ltd.	Manufacturing and selling of plastic moulded products and parts	People’s Republic of China	43.66	43.92
V.S. Holding Vietnam Limited	Investment holding	British Virgin Islands	43.66	43.92
V.S. Industry Holding Limited	Investment holding	Hong Kong	43.66	43.92

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Principal activities	Country of incorporation	Effective ownership interest and voting interest	
			2016 %	2015 %
Subsidiaries of V.S. International Group Limited @ (cont'd)				
V.S. ECO-TECH (Zhuhai) Co., Ltd.	Dormant	People's Republic of China	43.66	43.92
V.S. Industrial Product Design (Zhuhai) Co., Ltd.	Products design and trading of electronic products, parts and components	People's Republic of China	43.66	43.92
Energy Ally Global Limited	Investment holding	British Virgin Islands	43.66	43.92
Zhuhai Deyuan Energy Conservation Technology Company Limited ^{xx}	Operation and management of rooftop solar plant	People's Republic of China	43.66	--
Subsidiary of VS Marketing & Engineering Pte. Ltd.@				
Serumi International Private Limited	Design and sale of healthcare products	Singapore	49.30	29.58
Subsidiary of V S International Venture Pte. Ltd. @				
Guardian South East Asia Pte. Ltd.^	Trading of driver safety products	Singapore	100	--

Audited by a member firm of KPMG International

@ Audited by other firms of accountants

* The subsidiary was incorporated on 21 October 2015

[^] The subsidiary was incorporated on 3 June 2016 and consolidated based on management accounts as at 31 July 2016

^{xx} The subsidiary was incorporated on 30 December 2015

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

7.1 Non-controlling interest in subsidiaries

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

	V. S. International Group Limited	2016 Other individually immaterial subsidiaries	Total
NCI percentage of ownership interest and voting interest	56.34%		
	RM'000	RM'000	RM'000
Carrying amount of NCI	184,610	1,370	185,980
Loss allocated to NCI	(13,320)	(370)	(13,690)

	2015		
NCI percentage of ownership interest and voting interest	56.08%		
	RM'000	RM'000	RM'000
Carrying amount of NCI	199,896	2,695	202,591
(Loss)/Profit allocated to NCI	(7,758)	484	(7,274)

	Group	
	2016 RM'000	2015 RM'000

V. S. International Group Limited

Summarised financial information before intra-group elimination

As at 31 July

Non-current assets	422,163	446,511
Current assets	240,818	253,296
Non-current liabilities	(82,765)	(103,544)
Current liabilities	(250,428)	(244,623)
Net assets	329,788	351,640

Year ended 31 July

Revenue	566,082	532,210
Loss for the year	(23,652)	(14,297)
Total comprehensive expense	(20,808)	(14,391)

Cash flows from operating activities	28,805	43,236
Cash flows used in investing activities	(22,283)	(54,173)
Cash flows (used in)/from financing activities	(18,399)	6,831
Net decrease in cash and cash equivalents	(11,877)	(4,106)
Dividends paid to NCI	--	--

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

8. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost				
Unquoted shares outside Malaysia	24,966	24,966	16,623	16,623
Share of post-acquisition reserves	(3,687)	(5,214)	--	--
	21,279	19,752	16,623	16,623
Less: Impairment loss	(11,651)	(11,651)	(16,623)	(16,623)
	9,628	8,101	--	--

Details of associates are as follows:

Name of entity	Principal place of business and country of incorporation	Nature of relationship	Effective ownership interest and voting interest	
			2016 %	2015 %
PT. VS Mining Resources	Indonesia	General survey and mining; exploration and exploitation; and processing and distribution of coal	45.00	45.00
VS Industry Vietnam Joint Stock Company	Vietnam	Manufacturing and selling of plastic moulded products and parts	23.93	23.93

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates:

	Group	
	2016 RM'000	2015 RM'000
VS Industry Vietnam Joint Stock Company		
Summarised financial information		
As at 31 July		
Non-current assets	92,436	92,603
Current assets	109,168	91,687
Non-current liabilities	(14,554)	(7,492)
Current liabilities	(146,406)	(142,534)
Net assets	40,644	34,264

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

8. INVESTMENTS IN ASSOCIATES (CONT'D)

	Group	
	2016 RM'000	2015 RM'000
Year ended 31 July		
Profit/(Loss) from continuing operations/ Total comprehensive income/(expense)	6,771	(6,558)
Included in the total comprehensive income is: Revenue	185,670	191,884
Reconciliation of net assets to carrying amount As at 31 July		
Group's share of net assets	9,721	6,618
Exchange differences	(93)	1,483
Carrying amount in statement of financial position	9,628	8,101
Group's shares of results Year ended 31 July		
Group's share of profit/(loss) and total comprehensive income/(expense)	1,620	(1,569)

9. OTHER INVESTMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Available-for-sale financial assets				
- Unquoted shares	30,000	--	30,000	--
- Unquoted shares outside Malaysia	4,293	--	4,293	--
- Quoted shares outside Malaysia	39,250	--	--	--
	73,543	--	34,293	--
Less: Impairment loss	(7,623)	--	--	--
Exchange difference	(2,907)	--	--	--
	63,013	--	34,293	--
Market value of quoted shares outside Malaysia	28,720	--	--	--

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
Prepayments	26,802	45,089	--	--
Less: Impairment loss	(21,767)	--	--	--
Add: Exchange differences	948	--	--	--
	5,983	45,089	--	--
Current				
Trade receivables	533,357	465,089	25,231	21,233
Other receivables, deposits and prepayments	41,574	25,345	6,152	4,710
Due from subsidiaries				
- non-trade	--	--	3,383	5,284
- loan	--	--	5,822	4,121
- trade	--	--	9,355	18,246
Due from associates - trade	8,505	10,247	--	--
	583,436	500,681	49,943	53,594
	589,419	545,770	49,943	53,594

Included in the non-current prepayments were prepayments of RMB34.0 million (approximately RM21.8 million) made to a vendor pursuant to an agreement entered into by the Group with the vendor in relation to the acquisition of a 20% interest in a company involved in solar energy project in Inner Mongolia for a consideration of RMB44.0 million (approximately RM28.2 million) subject to the fulfilment of certain conditions set out therein. Upon completion of the acquisition, the Group will be entitled to an option for an exercisable period of 3 months to acquire the remaining 80% equity interest of the said company at its sole discretion.

On 1 November 2015, the agreement lapsed as certain conditions set out in the agreement had not been fulfilled. The Group has been in discussions with the vendor regarding the full refund of the prepayments of RMB34.0 million (approximately RM21.8 million). On 31 August 2016, a settlement agreement was entered into between the Group and the vendor, pursuant to which the vendor shall repay the prepayment and the interest thereon at 5% per annum by 30 November 2016.

Notwithstanding the settlement agreement, in view of the lapse of the agreement and there are uncertainties on the repayment, an impairment was made on the entire amount of the prepayment.

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

11. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment						
- capital allowances	--	--	(18,792)	(18,110)	(18,792)	(18,110)
- revaluation	--	--	(16,767)	(18,095)	(16,767)	(18,095)
- fair value adjustments	--	--	(26,415)	(26,415)	(26,415)	(26,415)
Deductible temporary differences	5,833	5,811	--	--	5,833	5,811
Unutilised enhanced export incentive	17,514	18,000	--	--	17,514	18,000
Others	1,114	170	--	--	1,114	170
Tax assets/(liabilities)	24,461	23,981	(61,974)	(62,620)	(37,513)	(38,639)
Set off of tax	(14,474)	(11,837)	14,474	11,837	--	--
Net tax assets/(liabilities)	9,987	12,144	(47,500)	(50,783)	(37,513)	(38,639)

	Company	
	2016 RM'000	2015 RM'000
Property, plant and equipment		
- capital allowance	(4,160)	(4,528)
- revaluation	(5,177)	(5,332)
Deductible temporary differences	899	846
Unabsorbed capital allowances	1,045	101
Unutilised tax losses	69	69
	(7,324)	(8,844)

Movement in temporary differences during the year:

Group	At 1.8.2015 RM'000	Recognised in profit or loss (Note 20) RM'000	Exchange differences RM'000	At 31.7.2016 RM'000
Property, plant and equipment				
- capital allowances	(18,110)	29	(711)	(18,792)
- revaluation	(18,095)	1,347	(19)	(16,767)
- fair value adjustments	(26,415)	--	--	(26,415)
Deductible temporary differences	5,811	(723)	745	5,833
Unutilised enhanced export incentive	18,000	(1,275)	789	17,514
Others	170	944	--	1,114
	(38,639)	322	804	(37,513)

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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

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

Group	At 1.8.2014 RM'000	Recognised in profit or loss (Note 20) RM'000	Exchange differences RM'000	At 31.7.2015 RM'000
Property, plant and equipment				
- capital allowances	(18,769)	918	(259)	(18,110)
- revaluation	(14,097)	1,231	(5,229)	(18,095)
- fair value adjustments	(26,415)	--	--	(26,415)
Deductible temporary differences	3,108	1,484	1,219	5,811
Unutilised enhanced export incentive	18,000	--	--	18,000
Others	1,822	(1,652)	--	170
	(36,351)	1,981	(4,269)	(38,639)

Company	At 1.8.2015 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.7.2016 RM'000
Property, plant and equipment			
- capital allowance	(4,528)	368	(4,160)
- revaluation	(5,332)	155	(5,177)
Deductible temporary differences	846	53	899
Unabsorbed capital allowances	101	944	1,045
Unutilised tax losses	69	--	69
	(8,844)	1,520	(7,324)

Company	At 1.8.2014 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.7.2015 RM'000
Property, plant and equipment			
- capital allowance	(6,197)	1,669	(4,528)
- revaluation	(5,651)	319	(5,332)
Deductible temporary differences	451	395	846
Unabsorbed capital allowances	1,531	(1,430)	101
Unutilised tax losses	291	(222)	69
	(9,575)	731	(8,844)

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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

Unrecognised deferred tax assets

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

	Group	
	2016 RM'000	2015 RM'000
Unutilised tax losses	92,279	123,186
Unutilised investment tax allowances and enhanced export incentives	--	64,043
Deductible temporary differences	668	668
Taxable temporary differences	(826)	(804)
	<u>92,121</u>	<u>187,093</u>

The unutilised tax losses and deductible temporary differences do not expire under current tax legislation other than unutilised tax losses of RM79.4 million which will expire between 2017 to 2021 in the People's Republic of China. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits there from.

12. INVENTORIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Raw materials	176,489	155,762	13,839	12,351
Work-in-progress	27,835	40,167	3,350	6,470
Finished goods	102,056	76,639	4,531	5,403
Packing materials	223	187	223	187
	<u>306,603</u>	<u>272,755</u>	<u>21,943</u>	<u>24,411</u>
Recognised in profit or loss:				
- Inventories recognised as cost of goods sold	<u>1,839,095</u>	<u>1,649,703</u>	<u>178,502</u>	<u>213,447</u>

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks	12,447	99,355	185	72,179
Cash and bank balances	<u>205,954</u>	<u>144,387</u>	<u>8,151</u>	<u>6,273</u>
	<u>218,401</u>	<u>243,742</u>	<u>8,336</u>	<u>78,452</u>

Included in the deposits placed with licensed banks of the Group is RM7,951,000 (2015: RM10,943,000) pledged for bank facilities granted to certain subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

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14. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2016 RM'000	2015 RM'000	2016 '000	2015 '000
Ordinary shares of RM0.20 (2015: RM1.00) each:				
Authorised:				
At 1 August	500,000	500,000	500,000	500,000
Share split	--	--	2,000,000	--
At 31 July	500,000	500,000	2,500,000	500,000
Issued and fully paid:				
At 1 August	230,848	186,355	230,848	186,355
Shares issued under private placement	--	20,580	--	20,580
Shares issued under ESOS				
- Ordinary share of RM1.00 each	184	22,497	184	22,497
- Ordinary share of RM0.20 each	1,666	--	8,330	--
Shares held under trust	2,471	1,416	12,354	1,416
Share split	--	--	924,128	--
At 31 July	235,169	230,848	1,175,844	230,848

On 11 September 2015, the Company sub-divided its issued and paid-up capital of every one (1) existing ordinary share of RM1.00 each into five (5) ordinary shares of RM0.20 each.

Reserves

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable				
Share premium	108,542	93,982	108,542	93,982
Shares held under trust	(4,396)	(4,972)	(4,396)	(4,972)
Revaluation reserve	55,420	56,763	22,847	23,339
Exchange fluctuation reserve	50,471	27,140	--	--
Capital reserve	12,273	10,151	--	--
Employee share-based reserve	12,692	7,193	10,890	5,535
Treasury shares	(1,792)	(1,582)	(1,792)	(1,582)
	233,210	188,675	136,091	116,302
Distributable				
Retained earnings	411,524	357,511	30,170	33,966
	644,734	546,186	166,261	150,268

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

14. CAPITAL AND RESERVES (CONT'D)

Treasury shares

At the Annual General Meeting held on 5 January 2016, 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 170,000 (2015: 20,000) of its issued ordinary shares. The average repurchase price was RM1.23 (2015: RM2.32) per ordinary share. The total consideration paid was RM209,836 including transaction costs of RM522.

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 2016, a total of 5,916,680 (2015: 1,149,336) repurchased shares are being held as treasury shares. The number of outstanding ordinary shares of RM0.20 (2015: RM1.00) each in issue after the setoff is 1,169,926,650 (2015: 229,698,270).

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

Shares held under trust

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

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

	2016 RM'000	2015 RM'000
As at 1 August	4,972	--
Subscription of new shares	8,648	7,020
Exercise of ESOS options by eligible employees via ETF mechanism	(9,224)	(2,048)
As at 31 July	4,396	4,972

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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

14. CAPITAL AND RESERVES (CONT'D)

Employee share-based reserve

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

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

Equity settled share-based transaction

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

The terms and conditions relating to the grants of the new share option programme are as follows; all options are to be settled by physical delivery of shares:

Grant date/ employees entitled	Number of options '000	Vesting conditions	Contractual life of options
Option granted to all employees on			
- 12 May 2015	30,800	20% of the options issued for each calendar year	5 years

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

Date of offer	Exercise price	Number of options over ordinary shares of RM1.00 each ('000)				At 11 September 2015
		At 1 August 2015	Granted	Exercised	Forfeited	
12 May 2015	RM3.51	28,885	--	(672)	(60)	28,153

Date of offer	Exercise price	Number of options over ordinary shares of RM0.20 each ('000)				At 31 July 2016
		At 11 September 2015	Adjustment for share split	Exercised	Forfeited	
12 May 2015	RM0.70	28,153	112,612	(19,047)	(1,417)	120,301

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

14. CAPITAL AND RESERVES (CONT'D)

Fair value of share options and assumptions

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured based on a binomial lattice model with the following inputs:

Fair value at grant date	RM0.757
Share price at grant date	RM3.90
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)	3.356%

Value of employee services received for issue of share options

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total expense recognised as equity settled share-based transaction	10,094	8,536	3,618	3,056

15. LONG TERM PAYABLES

	Group	
	2016 RM'000	2015 RM'000
Due to Directors	4,322	4,322

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

16. LOANS AND BORROWINGS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
<i>Secured</i>				
Term loans	52,290	71,925	--	--
Finance lease liabilities	9,787	2,929	255	491
	62,077	74,854	255	491
<i>Unsecured</i>				
Term loans	30,396	48,161	4,551	8,704
	92,473	123,015	4,806	9,195

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

16. LOANS AND BORROWINGS (CONT'D)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Secured				
Term loans	24,392	21,735	--	--
Bank overdrafts	10,730	8,253	--	--
Short term loan	18,369	18,421	--	--
Trust receipts	38,345	30,195	--	--
Finance lease liabilities	4,233	2,250	235	224
	96,069	80,854	235	224
Unsecured				
Revolving credit	8,100	5,000	8,100	5,000
Term loans	19,802	18,723	4,198	3,984
Bankers' acceptances	94,176	81,613	11,456	12,994
Bank overdrafts	490	393	--	--
Trust receipts	93,649	88,997	5,693	4,750
Short term loan	10,284	13,613	--	--
	226,501	208,339	29,447	26,728
	322,570	289,193	29,682	26,952
	415,043	412,208	34,488	36,147

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 26.5.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Group			Company		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
2016						
Less than one year	4,967	734	4,233	252	17	235
Between one and five years	10,909	1,122	9,787	262	7	255
	15,876	1,856	14,020	514	24	490
2015						
Less than one year	2,474	224	2,250	252	28	224
Between one and five years	3,050	121	2,929	515	24	491
	5,524	345	5,179	767	52	715

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables	332,609	280,655	27,648	24,476
Other payables and accrued expenses	107,837	115,506	13,639	16,622
Derivatives at fair value through profit or loss				
- forward foreign currency contracts	--	29	--	--
Due to subsidiaries				
- trade	--	--	3,039	--
- non-trade	--	--	1,060	2,495
Due to associates				
- trade	112	--	--	--
	<u>440,558</u>	<u>396,190</u>	<u>45,386</u>	<u>43,593</u>

Included in other payables and accrued expenses are:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment creditors	9,779	6,585	512	3,808
Sundry creditors	26,630	20,782	3,688	3,583
Accrued expenses	54,768	56,514	9,023	9,231
Progress billings to customers	16,660	31,625	416	--
	<u>107,837</u>	<u>115,506</u>	<u>13,639</u>	<u>16,622</u>

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

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

18. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	13,797	14,199	1,301	1,649
Less : Amount capitalised in property, plant and equipment	(20)	(13)	--	--
	<u>13,777</u>	<u>14,186</u>	<u>1,301</u>	<u>1,649</u>
Add : Other financing cost	1,793	1,857	58	49
	<u>15,570</u>	<u>16,043</u>	<u>1,359</u>	<u>1,698</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

19. OPERATING PROFIT

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating profit is arrived at after charging/(crediting)				
Audit fees				
- KPMG Malaysia:				
- Current year	291	251	154	146
- Under provided in prior year	--	12	--	--
- Other auditors	1,297	951	--	--
Non-audit fees				
- KPMG Malaysia	9	9	9	9
- Other auditors	95	182	--	--
Amortisation of prepaid lease payments	2,667	2,276	--	--
(Reversal of)/Allowance for slow moving inventories	(7,503)	7,688	--	--
Changes in fair value of investment properties	(100)	(219)	--	--
Depreciation	69,379	60,805	8,836	9,142
Derivative loss/(gain) on currency forward contracts	258	(695)	--	--
Impairment loss/(Reversal) on:				
- trade receivables	(316)	2,035	--	6
- prepayments	21,767	--	--	--
- other investments	7,623	--	--	--
- property, plant and equipment	--	972	--	--
Operating lease rental	5,464	4,837	--	--
Personnel expenses (including key management personnel):				
- Contributions to state plans	8,829	8,415	2,897	2,921
- Wages, salaries and others	293,463	263,459	36,340	38,979
- Equity settled share-based transactions	10,094	8,536	3,618	3,056
Rental of premises	8,071	7,152	809	2,102
Foreign exchange:				
- unrealised loss/(gain)	3,579	(8,151)	601	(153)
- realised gain	(13,973)	(26,425)	(545)	(3,620)
Dividend income from subsidiaries	--	--	(72,000)	(7,000)
Property, plant and equipment:				
- written off	92	1,062	1	1
- loss/(gain) on disposal	266	1,714	47	(362)
Rental income	(3,640)	(1,763)	(9)	(33)

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

19. OPERATING PROFIT (CONT'D)

Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors				
- Fees	636	602	412	412
- Remuneration	19,155	18,293	6,614	7,349
- Contributions to state plans	1,678	1,668	817	917
- Equity settled share-based transaction	1,909	1,853	1,600	1,215
Total short term employee benefits	23,378	22,416	9,443	9,893
Other key management personnel:				
- Wages, salaries and others	3,935	3,636	615	607
- Contributions to state plans	177	169	74	72
- Other short term employee benefits	50	41	8	9
- Equity settled share-based transaction	548	518	89	68
	4,710	4,364	786	756
	28,088	26,780	10,229	10,649

The estimated monetary value of Directors' benefit-in-kind of the Group/Company is RM112,000 (2015: RM102,000).

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.

20. TAX EXPENSE/(INCOME)

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current tax expense				
- Malaysian tax				
- Current year	29,772	29,984	188	71
- Prior year	(4)	(40)	37	--
- Overseas tax				
- Current year	8,182	6,258	--	--
	37,950	36,202	225	71

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax income				
- Malaysian tax				
- Origination and reversal of temporary differences	(217)	(1,326)	(1,501)	(1,089)
- Prior year	(32)	333	(19)	358
- Overseas tax				
- Origination and reversal of temporary differences	(73)	(988)	--	--
	(322)	(1,981)	(1,520)	(731)
Total tax expense/(income)	37,628	34,221	(1,295)	(660)
Reconciliation of tax expense/(income)				
Profit for the year	104,238	125,465	59,649	3,699
Total tax expense/(income)	37,628	34,221	(1,295)	(660)
Profit before tax	141,866	159,686	58,354	3,039
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	34,048	39,922	14,005	760
Effect of different tax rates in foreign jurisdictions	5,054	2,042	--	--
Deferred tax assets not recognised:				
- subsidiaries	1,037	4,795	--	--
Non-deductible expenses	11,610	2,696	1,937	1,143
Non-taxable income	--	(36)	(17,280)	(1,750)
Utilisation of tax incentives	(14,085)	(15,491)	--	--
Deferred tax/(Reversal of deferred tax) arising from control transfer in/(out)	--	--	25	(1,171)
	37,664	33,928	(1,313)	(1,018)
(Over)/Under provided in prior years	(36)	293	18	358
Total tax expense/(income)	37,628	34,221	(1,295)	(660)

21. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

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

	Group	
	2016 RM'000	2015 RM'000
Profit for the year attributable to owners	117,928	132,739

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

21. EARNINGS PER ORDINARY SHARE (CONT'D)

Basic earnings per ordinary share (cont'd)

	Group	
	2016 '000	2015 '000
Weighted average number of ordinary shares at 31 July	1,161,334	206,146
Effect of share split *	--	824,582
Adjusted weighted average number of ordinary shares as at 31 July	1,161,334	1,030,728
	2016	2015
Basic earnings per ordinary share (sen)	10.15	12.88

* The weighted average number of ordinary shares had been adjusted to reflect the effects of the shares split as disclosed in Note 14 in previous financial year.

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 July 2016 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary share outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2016 RM'000	2015 RM'000
Profit for the year attributable to owners (diluted)	117,928	132,739
Weighted average number of ordinary shares (diluted):		
	2016	2015
	'000	'000
Weighted average number of ordinary shares (basic)	1,161,334	1,030,728
Effect of share options in issue	56,545	44,394
Weighted average number of ordinary shares (diluted) at 31 July	1,217,879	1,075,122
	2016	2015
Diluted earnings per ordinary share (sen)	9.68	12.35

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

22. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2016			
2015 - Fourth interim, single tier	1.2	13,875	30 October 2015
2015 - Final, single tier	1.2	13,957	29 January 2016
2016 - First interim, single tier	1.5	17,443	11 March 2016
2016 - Second interim, single tier	0.8	9,303	13 May 2016
2016 - Third interim, single tier	0.8	9,359	28 July 2016
		<u>63,937</u>	
2015			
2014 - Third interim, single tier	3.5	6,938	30 October 2014
2014 - Final, single tier	3.5	7,096	28 January 2015
2015 - First interim, single tier	3.0	6,162	16 March 2015
2015 - Second interim, single tier	3.0	6,176	15 May 2015
2015 - Third interim, single tier	6.0	13,776	28 July 2015
		<u>40,148</u>	

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

	Sen per share	Total amount RM'000	Date of payment
2016 - Fourth interim, single tier	0.8	9,366	28 October 2016
- Final, single tier	0.8	9,367	-
		<u>18,733</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

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23. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment represents:-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current year additions (Note 3)	82,803	70,261	2,529	8,949
Less: Amount financed by:				
- finance lease creditors	(10,675)	(7,157)	--	(770)
- amount under credit term (Note 17)	(9,779)	(6,585)	(512)	(3,808)
Finance cost capitalised	(20)	(13)	--	--
Add: Payment in respect of previous year's purchase of property, plant and equipment	6,585	7,796	3,808	3,905
	<u>68,914</u>	<u>64,302</u>	<u>5,825</u>	<u>8,276</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

24. OPERATING SEGMENTS (CONT'D)

	Malaysia		People's Republic of China		Indonesia		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit/(loss)								
<i>Included in the measure of segment profit are:</i>								
Revenue from external customers	162,927	170,269	(18,917)	(7,639)	7,098	(3,608)	151,108	159,022
Inter-segment revenue	1,489,440	1,328,224	565,229	525,886	118,967	80,759	2,173,636	1,934,869
Depreciation and amortisation	1,508	1,390	853	6,324	--	--	2,361	7,714
Finance costs	(28,149)	(27,074)	(35,232)	(29,152)	(8,364)	(6,642)	(71,745)	(62,868)
Finance income	(6,053)	(6,443)	(7,771)	(7,886)	(1,746)	(1,714)	(15,570)	(16,043)
	1,064	563	246	409	165	176	1,475	1,148
<i>Not included in the measure of segment profit but provided to Managing Director</i>								
Tax expense	(29,519)	(28,984)	(6,355)	(5,089)	(1,754)	(148)	(37,628)	(34,221)
Segment assets	1,435,743	1,299,008	662,981	699,807	144,623	127,691	2,243,347	2,126,506
<i>Included in the measure of segment assets are:</i>								
Additions to non-current assets other than financial instruments and deferred tax assets	20,224	35,749	57,231	20,436	5,348	13,906	82,803	70,091
Segment liabilities	551,000	533,818	333,193	348,167	68,023	68,484	952,216	950,469

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

24. OPERATING SEGMENTS (CONT'D)

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

	2016		2015	
	RM'000		RM'000	
Profit				
Total profit for reportable segments		151,108		159,022
Other non-reportable segments		(12,533)		533
Elimination of inter-segment profits		1,671		1,700
Share of profit/(loss) of associates not included in reportable segments		1,620		(1,569)
Consolidated profit before tax		<u>141,866</u>		<u>159,686</u>

	External revenue RM'000	Deprecia- -tion and amortisa- -tion RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000	Investment in associates RM'000	Additions to non- current assets RM'000	Segment liabilities RM'000
2016								
Total reportable segments	2,173,636	(71,745)	(15,570)	1,475	2,243,347	--	82,803	952,216
Other non-reportable segments	1,990	(301)	--	3	58,557	--	--	28,933
Components not monitored by Managing Director	--	--	--	--	--	9,628	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(317,461)	--	--	(62,589)
Consolidated total	<u>2,175,626</u>	<u>(72,046)</u>	<u>(15,570)</u>	<u>1,478</u>	<u>1,984,443</u>	<u>9,628</u>	<u>82,803</u>	<u>918,560</u>
2015								
Total reportable segments	1,934,869	(62,868)	(16,043)	1,148	2,126,506	--	70,091	950,469
Other non-reportable segments	2,016	(213)	--	13	14,339	--	170	23,189
Components not monitored by Managing Director	--	--	--	--	--	8,101	--	--
Elimination of inter-segment transaction or balances	--	--	--	--	(285,167)	--	--	(97,605)
Consolidated total	<u>1,936,885</u>	<u>(63,081)</u>	<u>(16,043)</u>	<u>1,161</u>	<u>1,855,678</u>	<u>8,101</u>	<u>70,261</u>	<u>876,053</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Group				
Malaysia	736,601	555,509	323,792	291,152
United States of America	665,048	575,936	--	--
Europe	151,785	125,023	--	--
Indonesia	119,853	81,589	87,640	85,806
People's Republic of China	341,867	303,174	411,175	436,269
Others	160,472	295,654	31,744	2,854
Total	2,175,626	1,936,885	854,351	816,081

Major customers

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

	Revenue RM'000	Segment
2016		
Customer A	527,549	Malaysia
Customer B	315,774	Malaysia
2015		
Customer A	563,483	Malaysia
Customer B	238,792	Malaysia

25. CONTINGENCIES (UNSECURED)

	Company	
	2016 RM'000	2015 RM'000
Corporate guarantees given to financial institutions in respect of outstanding term loans and banking facilities of subsidiaries	226,699	193,137

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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) Financial liabilities measured at amortised cost ("FL");
- (c) Fair value through profit or loss ("FVTPL")
 - forward foreign currency contracts; and
- (d) Available-for-sale financial assets ("AFS").

	Carrying amount RM'000	L&R RM'000	FL RM'000	FVTPL - forward foreign currency contracts RM'000	AFS RM'000
2016					
Group					
Other investments	63,013	--	--	--	63,013
Trade and other receivables	583,436	583,436	--	--	--
Cash and cash equivalents	218,401	218,401	--	--	--
Loans and borrowings	(415,043)	--	(415,043)	--	--
Trade and other payables	(423,898)	--	(423,898)	--	--
Long term payables	(4,322)	--	(4,322)	--	--
	21,587	801,837	(843,263)	--	63,013
Company					
Other investments	34,293	--	--	--	34,293
Trade and other receivables	49,943	49,943	--	--	--
Cash and cash equivalents	8,336	8,336	--	--	--
Loans and borrowings	(34,488)	--	(34,488)	--	--
Trade and other payables	(44,970)	--	(44,970)	--	--
	13,114	58,279	(79,458)	--	34,293
2015					
Group					
Trade and other receivables	500,681	500,681	--	--	--
Cash and cash equivalents	243,742	243,742	--	--	--
Loans and borrowings	(412,208)	--	(412,208)	--	--
Trade and other payables	(364,536)	--	(364,536)	--	--
Derivative financial liabilities	(29)	--	--	(29)	--
Long term payables	(4,322)	--	(4,322)	--	--
	(36,672)	744,423	(781,066)	(29)	--
Company					
Trade and other receivables	53,594	53,594	--	--	--
Cash and cash equivalents	78,452	78,452	--	--	--
Loans and borrowings	(36,147)	--	(36,147)	--	--
Trade and other payables	(43,593)	--	(43,593)	--	--
	52,306	132,046	(79,740)	--	--

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net gains/(losses) arising on:				
Fair value through profit or loss:				
- forward foreign currency contracts	(258)	695	--	--
Available-for-sale financial assets	(10,734)	--	--	--
Loans and receivables	30,129	64,218	2,043	7,115
Financial liabilities measured at amortised cost	(30,400)	(46,560)	(2,836)	(4,768)
	<u>(11,263)</u>	<u>18,353</u>	<u>(793)</u>	<u>2,347</u>

26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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 41% and 56% (2015: 49% and 49%) 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Credit risk (cont'd)

Receivables (cont'd)

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

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	211,133	135,777	25,231	21,233
Indonesia	29,126	13,478	--	--
People's Republic of China	74,097	84,574	--	--
United States of America	151,826	171,594	--	--
Others	70,390	65,875	--	--
	536,572	471,298	25,231	21,233

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables (as disclosed in Note 10) as at the end of the reporting period was:

	Group			Company
	Gross RM'000	Individual impairment RM'000	Net RM'000	Gross/Net RM'000
2016				
Not past due	440,218	--	440,218	22,101
Past due 1 - 30 days	84,629	--	84,629	2,320
Past due 31 - 60 days	3,310	--	3,310	696
Past due 61 - 90 days	2,883	--	2,883	113
Past due more than 90 days	5,532	(3,215)	2,317	1
	536,572	(3,215)	533,357	25,231
2015				
Not past due	400,100	--	400,100	16,160
Past due 1 - 30 days	57,237	--	57,237	5,026
Past due 31 - 60 days	4,647	--	4,647	43
Past due 61 - 90 days	1,489	(178)	1,311	2
Past due more than 90 days	7,825	(6,031)	1,794	2
	471,298	(6,209)	465,089	21,233

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.4 Credit risk (cont'd)

Receivables (cont'd)

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

	Group	
	2016 RM'000	2015 RM'000
At 1 August 2015/2014	6,209	4,065
Impairment loss (reversed)/recognised	(316)	2,035
Impairment loss written off	(2,788)	(666)
Exchange differences	110	775
At 31 July	3,215	6,209

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 RM226.7 million (2015: RM193.1 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

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

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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.

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

26.5 Liquidity risk

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

The Group and the Company 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.

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
2016							
<i>Non-derivative financial liabilities</i>							
Secured finance lease liabilities	14,020	2.20 – 3.25	15,876	4,862	3,535	7,479	--
Secured term loans	76,682	3.40	79,667	25,625	25,209	28,833	--
Secured bank overdrafts	10,730	7.00	11,481	11,481	--	--	--
Secured short term loan	18,369	4.40 – 5.70	19,298	19,298	--	--	--
Secured trust receipts	38,345	3.10	39,522	39,522	--	--	--
Unsecured bank overdrafts	490	7.60 – 7.70	490	490	--	--	--
Unsecured short term loan	10,284	4.40 – 5.70	10,742	10,742	--	--	--
Unsecured term loans	50,198	3.04 – 5.25	52,729	21,336	19,265	12,128	--
Unsecured revolving credit	8,100	4.98 – 5.48	8,100	8,100	--	--	--
Unsecured bankers' acceptances	94,176	3.25 – 4.17	94,176	94,176	--	--	--
Unsecured trust receipts	93,649	0.95 – 1.64	93,649	93,649	--	--	--
Due to Directors	4,322	--	4,322	--	--	--	4,322
Trade and other payables	423,898	--	423,898	423,898	--	--	--
	843,263		853,950	753,179	48,009	48,440	4,322

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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

Company

2016

<i>Non-derivative financial liabilities</i>							
Secured finance lease liabilities	490	2.28 - 2.40	514	252	207	55	--
Unsecured term loans	8,749	5.25	9,242	4,557	4,557	128	--
Unsecured revolving credit	8,100	4.98 - 5.48	8,100	8,100	--	--	--
Unsecured bankers' acceptances	11,456	3.25 - 4.16	11,456	11,456	--	--	--
Unsecured trust receipts	5,693	0.95 - 1.60	5,693	5,693	--	--	--
Trade and other payables	44,970	--	44,970	44,970	--	--	--
Financial guarantee*	--	--	226,699	226,699	--	--	--
	<u>79,458</u>		<u>306,674</u>	<u>301,727</u>	<u>4,764</u>	<u>183</u>	<u>--</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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
2015							
<i>Non-derivative financial liabilities</i>							
Secured finance lease liabilities	715	2.28 - 2.40	767	252	252	263	--
Unsecured term loans	12,688	5.25	13,749	4,557	4,557	4,635	--
Unsecured revolving credit	5,000	5.14	5,000	5,000	--	--	--
Unsecured bankers' acceptances	12,994	3.95 - 4.66	12,994	12,994	--	--	--
Unsecured trust receipts	4,750	0.93 - 1.40	4,750	4,750	--	--	--
Trade and other payables	43,593	--	43,593	43,593	--	--	--
Financial guarantee*	--	--	193,137	193,137	--	--	--
	<u>79,740</u>		<u>273,990</u>	<u>264,283</u>	<u>4,809</u>	<u>4,898</u>	<u>--</u>

* Represents the amount outstanding as disclosed in Note 26.4.

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") and Ringgit Malaysia ("RM").

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

Risk management objectives, policies and processes for managing the risk

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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 RM		Denominated in USD			
	Group		Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade and other receivables	1,887	--	74,526	379,253	13,808	26,540
Cash and cash equivalents	6,357	--	34,171	96,975	5,061	3,462
Trade and other payables	(23,822)	--	(43,438)	(158,182)	(12,376)	(12,438)
Unsecured trust receipts	--	--	(5,694)	(88,997)	(5,694)	(4,750)
Unsecured short term loan	--	--	--	(2,601)	--	--
Unsecured term loans	(8,012)	--	--	(2,272)	--	--
Secured trust receipts	--	--	(38,345)	(30,195)	--	--
Secured term loans	--	--	(76,682)	(93,660)	--	--
Forward foreign currency contracts	--	--	--	(16,117)	--	--
Banker's acceptance (unsecured)	(82,720)	--	--	--	--	--
Finance liabilities	(10,135)	--	--	--	--	--
	(116,445)	--	(55,462)	84,204	799	12,814

Currency risk sensitivity analysis

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

A 10% (2015: 10%) strengthening of the RM against the following currency at the end of the reporting period would have increased or decreased equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Denominated in RM Group RM'000	Denominated in USD Group RM'000	Company RM'000
2016			
Profit or (loss)	8,850	4,215	(61)
2015			
Profit or (loss)	--	(6,315)	(961)

A 10% (2015: 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.6 Market risk (cont'd)

Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Financial assets	12,447	99,355	185	72,179
Financial liabilities	(237,375)	(211,679)	(25,739)	(23,459)
	<u>(224,928)</u>	<u>(112,324)</u>	<u>(25,554)</u>	<u>48,720</u>
Floating rate instruments				
Financial liabilities	<u>(177,668)</u>	<u>(200,529)</u>	<u>(8,749)</u>	<u>(12,688)</u>

Interest rate risk sensitivity analysis

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

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

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

A change of 100 basis points in interest rates at the end of the reporting period would have increased (decreased) the Group's and the Company's post-tax profit or loss by RM1,350,000 (2015: RM1,504,000) and RM66,000 (2015: RM95,000) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

26.7 Fair value information

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

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

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

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

Derivatives

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

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 2016 and 31 July 2015 were as follows:

	Group	
	2016 RM'000	2015 RM'000
Total loans and borrowings (Note 16)	415,043	412,208
Less: Cash and cash equivalents (Note 13)	(218,401)	(243,742)
Net debt	196,642	168,466
Total equity attributable to owners of the Company	879,903	777,034
Debt-to-equity ratio	0.22	0.22

28. CAPITAL COMMITMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment				
Contracted but not provided for	16,888	5,987	2,384	--

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

29. OPERATING LEASE COMMITMENTS

Leases as lessee

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

	Group	
	2016 RM'000	2015 RM'000
Within one year	2,576	2,608

Leases as lessor

As at 31 July 2016 and 2015, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	Group	
	2016 RM'000	2015 RM'000
Within one year	1,385	3,144
Between one and five years	--	1,249
	1,385	4,393

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

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

30. RELATED PARTIES (CONT'D)

Significant related party transactions

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 19) as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
A. Subsidiaries				
Sales of goods	--	--	104,814	116,320
Sales of plant and equipment	--	--	368	372
Purchases of goods	--	--	9,258	12,223
Purchases of plant and equipment	--	--	868	--
Rental expense	--	--	732	234
Dividend received/receivable	--	--	72,000	7,000
Loan to subsidiaries	--	--	--	166
B. Associates				
Purchases of goods	120	383	--	--
Sales of goods	4,509	9,673	--	--
Outstanding balances:				
- due to	112	--	--	--
- due from	8,505	10,247	--	--
C. Companies which are wholly -owned by close family member of certain Directors				
Purchases of tooling	1,146	3,628	--	--
Outstanding balances:				
- due to	199	620	--	--
D. Company in which the spouse of a Director has financial interest				
Purchases of goods	32,376	16,298	15,028	9,445
Outstanding balances	5,197	5,040	2,123	3,103
E. Companies in which a major shareholder has financial interest				
Purchases of goods	--	8,357	--	6,675

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

30. RELATED PARTIES (CONT'D)

Significant related party transactions (cont'd)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
F. Remuneration paid to staff who are close family member of certain Directors	2,455	1,638	448	514
G. A company controlled by a Director				
Operating lease charges and management fee expense	5,068	4,508	--	--
Outstanding balances: - due from	1,525	1,282	--	--
H. A company controlled by the family member of a Director				
Sub-contracting fee expense	3,937	2,442	--	--
Outstanding balances	268	343	--	--
I. A company controlled by the family member of a key management personnel				
Repair and maintenance services	221	312	--	--
Outstanding balances	20	10	--	--

31. SIGNIFICANT EVENT

On 25 July 2016, the Company entered into a subscription agreement to subscribe for 251,451 subscription shares, representing up to 20% of the total enlarged issued and paid up share capital of NEP Holdings (Malaysia) Berhad ("NEP") for a total cash consideration of RM60 million.

Pursuant to the terms of the subscription agreement, the total subscription consideration shall be paid by the Company in two tranches. As at the year end, the Company paid RM30 million for the first tranche of 111,756 subscription shares representing 10% of the issued and paid up capital of NEP, which has been accounted for as available-for-sale financial assets (Note 9).

Subsequent to the year end, on 2 November 2016, the Company paid the second tranche of 139,695 subscription shares for another RM30 million. On completion of the second tranche subscription, the Company holds 20% equity interest in NEP and hence NEP has become an associate of the Company.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	249,222	205,217	32,918	37,325
- unrealised	6,024	12,676	(2,748)	(3,359)
	255,246	217,893	30,170	33,966
Total share of retained earnings from associates				
- realised	(4,932)	(6,552)	--	--
	250,314	211,341	30,170	33,966
Add: Consolidation adjustments	161,210	146,170	--	--
Total retained earnings	411,524	357,511	30,170	33,966

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.

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 124 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 July 2016 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 125 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Datuk Gan Sem Yam

Dato' Gan Tiong Sia

Johor Bahru
11 November 2016

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 125 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 11 November 2016.

Datin Gan Chu Cheng

Before me:

Haji Zamani Bin Haji Ahmad
Commissioner for Oaths
J-253

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 2016 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 124.

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 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

INDEPENDENT AUDITORS' REPORT

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

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 on page 125 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Chan Yen Ing

Approval Number: 3174/04/17 (J)
Chartered Accountant

Johor Bahru

11 November 2016

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 2016 RM'000	Date of Last Revaluation (R) / Acquisition (A)
V.S. INDUSTRY BERHAD						
PTD 88447, Jalan Murni 12 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	12.26	462,101	Factory/office (2-storey)	Freehold (10-13 years)	62,507	31-Jul-13 (R)
PTD 86366, Jalan Murni 8 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	1.76	-	Parking lot	Freehold	2,900	31-Jul-13 (R)
V.S. PLUS SDN. BHD.						
PTD 8823 - PLO 39 Jalan Perindustrian 4 Kawasan Perindustrian Senai II 81400 Senai Johor Darul Takzim	3.31	275,384	Factory/office (4-storey)	Leasehold for 60 years expiring on 01/06/2076 (24 years)	25,337	31-Jul-13 (R)
PTD 8811 - PLO 46 Jalan Perindustrian 1 Kawasan Perindustrian Senai II 81400 Senai Johor Darul Takzim	1.55	54,807	Warehouse (2-storey)	Leasehold for 60 years expiring on 14/05/2076 (23 years)	6,135	31-Jul-13 (R)
PTD 65013 - PLO 129 Jalan Cyber 5 Kawasan Perindustrian Senai III 81400 Senai Johor Darul Takzim	1.00	27,226	Factory/office (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 23/11/2076 (19 years)	3,442	31-Jul-13 (R)
PTD 104700 - PLO 116 & PLO 174 Jalan Cyber 5 Kawasan Perindustrian Senai III 81400 Senai Johor Darul Takzim	1.50	52,342	Warehouse (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 13/02/2076 (19 years)	5,495	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	10,439	31-Jul-13 (R)
Lot 214, Jalan Seelong-Senai 81400 Senai Johor Darul Takzim	6.30	227,099	Factory/office (2-storey)	Freehold (6 years)	32,837	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 2016 RM'000	Date of Last Revaluation (R) / Acquisition (A)
V.S. ELECTRONICS SDN. BHD.						
PTD 8816 - PLO 47 Jalan Perindustrian 1 Kawasan Perindustrian Senai II 81400 Senai Johor Darul Takzim	3.30	185,039	Factory/office (5-storey)	Leasehold for 60 years expiring on 14/05/2076 (20 years)	21,427	31-Jul-13 (R)
V.S. TECHNOLOGY SDN. BHD.						
PTD 8799 - PLO 7 Jalan Perindustrian Kawasan Perindustrian Senai I 81400 Senai Johor Darul Takzim	1.19	55,640	Factory/office (2-storey)	Leasehold for 60 years expiring on 11/02/2076 (29 years)	5,485	31-Jul-13 (R)
V.S. ASHIN TECHNOLOGY SDN. BHD.						
Lot 72061- PLO 121 Jalan Cyber 5 Kawasan Perindustrian Senai III 81400 Senai Johor Darul Takzim	1.00	27,900	Rented out (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 15/06/2064 (16 years)	3,600	06-Aug-15 (R)
V.S. INTEGRATED MANAGEMENT SDN. BHD.						
PTB 11133 72, 72A-B, Jalan Padi 1 Bandar Baru Uda 81200 Tampoi, Johor Bahru Johor Darul Takzim	0.04	5,280	Rented out (3-storey shop office)	Freehold (24 years)	1,200	06-Aug-15 (R)
PTD 42659 & 42660 Kawasan Perindustrian Senai III 81400 Senai Johor Darul Takzim	2.28	93,371	Three (3) blocks of 5-storey hostel	Leasehold for 99 years expiring on 07/09/2094 (5-20 years)	5,422	31-Jul-13 (R)
PT. V. S. TECHNOLOGY INDONESIA						
Jl. Jababeka IV E Blok V 78K Kawasan Industri Jababeka Cikarang Pasirgombong Lemahabang Bekasi 17550 Indonesia	0.72	40,106	Vacant (2-storey)	Leasehold for 30 years expiring on 24/09/2023 (14 years)	3,300	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 2016 RM'000	Date of Last Revaluation (R) / Acquisition (A)
Jl. Cendana Raya Blok F.10 No. 06B Kawasan Industri Delta Silicon III Lippo Cikarang Bekasi 17550 Indonesia	6.28	247,754	Factory/ office (2-storey)	Leasehold for 30 years expiring on 30/11/2032 (2 years)	48,998	05-Jul-11 (A)
V. S. TECHNOLOGY INDUSTRY PARK (ZHUHAI) CO., LTD.						
Beisha Village Tangjia Wan Town Xiangzhou District Zhuhai Guangdong Province The People's Republic of China	78.21	1,499,771	Factory/ office/ warehouse	Leasehold for 50 years expiring on 20/02/2051 (15 years)	202,019	10-Jul-13 (A)
QINGDAO GS ELECTRONICS PLASTIC CO., LTD.						
Qianwangang Road South Haier International Industrial Park Qingdao Economic and Technology Development Zone Huangdao District Qingdao Shandong Province The People's Republic of China	7.57	222,148	Factory/ office	Leasehold for 50 years expiring on 09/01/2052 (14 years)	33,376	10-Jul-13 (A)
QINGDAO GP ELECTRONIC PLASTICS CO., LTD.						
Hetao Export Processing Zone Qingdao City Chengyang District Qingdao Shandong Province The People's Republic of China	6.00	194,179	Factory/ office	Leasehold for 50 years expiring on 30/12/2056 (10 years)	19,057	10-Jul-13 (A)

ANALYSIS OF SHAREHOLDINGS

As at 31 October 2016

Authorised Share Capital : RM500,000,000
Issued and Fully Paid-Up Capital : RM235,367,266
Class of Shares : Ordinary shares of RM0.20 each
Voting Rights : One vote per ordinary share
No. of Shareholders : 9,743

DISTRIBUTION OF SHAREHOLDINGS

Range of Shares	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
1 - 99	136	1.40	4,366	0.00
100 - 1,000	1,038	10.65	676,173	0.06
1,001 - 10,000	4,897	50.26	26,435,664	2.25
10,001 - 100,000	2,966	30.44	89,676,316	7.62
100,001 - 58,841,815*	706	7.25	1,060,043,811	90.07
58,841,816 and above **	0	0.00	0	0.00
Total	9,743	100.00	1,176,836,330	100.00

* less than 5% of issued shares

** 5% and above of issued shares

THIRTY LARGEST SHAREHOLDERS AS AT 31 OCTOBER 2016

No.	Name of Shareholders	Shares Held	Percentage (%)
1.	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BNP PARIBAS SINGAPORE BRANCH (LOCAL)	55,958,440	4.75
2.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	47,342,750	4.02
3.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GAN CHU CHENG (PB)	46,680,000	3.97
4.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING (MBB HK-240577)	42,426,140	3.61
5.	BEH KIM LING	40,354,655	3.43
6.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN SEM YAM	27,629,250	2.35
7.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GAN TONG CHUAN (PB)	26,983,280	2.29
8.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	21,950,000	1.87
9.	GAN TIONG SIA	21,698,430	1.84
10.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	20,834,600	1.77
11.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR BEH HWEE LEE (PB)	16,378,615	1.39

ANALYSIS OF SHAREHOLDINGS

As at 31 October 2016
(cont'd)

No.	Name of Shareholders	Shares Held	Percentage (%)
12.	TAN KUAN TECK	15,850,400	1.34
13.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR BEH HWEE SZE (PB)	15,268,305	1.30
14.	CHIN CHIN SEONG	12,569,400	1.07
15.	HSBC NOMINEES (TEMPATAN) SDN BHD JPMCB FOR BEH CHERN WEI (JPMBLSA-JPMIB)	11,500,000	0.98
16.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR ACADIAN EMERGING MARKETS SMALL CAP EQUITY FUND, LLC	10,636,400	0.90
17.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	10,333,700	0.88
18.	CHIN FOOK LAI	10,300,000	0.88
19.	DING LONG FATT	10,000,000	0.85
20.	GAN SWU KIM	10,000,000	0.85
21.	MAYBANK INVESTMENT BANK BERHAD IVT (10)	9,630,000	0.82
22.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	9,600,000	0.82
23.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD DEUTSCHE BANK AG SINGAPORE FOR NIIF PUBLIC EQUITIES	9,231,200	0.78
24.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KUAN TECK	8,900,000	0.76
25.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P)	8,789,900	0.75
26.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)	8,520,500	0.72
27.	GAN SEM YAM	8,375,000	0.71
28.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	8,218,400	0.70
29.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	8,166,800	0.69
30.	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	8,162,800	0.69
	Total	562,288,965	47.78

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 31 OCTOBER 2016

No.	Name of Substantial Shareholders	Interests in Shares		Note	Percentage (%)
		Direct	Deemed		
1.	Datuk Beh Kim Ling	114,330,795	125,327,620	(a)	20.47
2.	Datin Gan Chu Cheng	77,850,700	161,807,715	(b)	20.47
3.	Datuk Gan Sem Yam	68,642,690	12,166,250	(c)	6.90
4.	Datin Ling Sok Mooi	1,500,000	79,308,940	(d)	6.90

ANALYSIS OF SHAREHOLDINGS

As at 31 October 2016
(cont'd)

DIRECTORS' INTERESTS IN SHARES AS AT 31 OCTOBER 2016

Name of Directors		Interests in Shares		Note	Percentage (%)
		Direct	Deemed		
A. In the Company					
	Datuk Beh Kim Ling	114,330,795	125,327,620	(a)	20.47
	Datin Gan Chu Cheng	77,850,700	161,807,715	(b)	20.47
	Datuk Gan Sem Yam	68,642,690	12,166,250	(c)	6.90
	Dato’ Gan Tiong Sia	21,698,430	-		1.85
	Ng Yong Kang	950,000	50,000	(e)	0.09
	Tan Sri Mohd Nadzmi Bin Mohd Salleh	850,000	-		0.07
	Pan Swee Keat	50,000	-		-
	Tang Sim Cheow	-	-		-
	Chong Chin Siong	500,000	225,000	(f)	0.06
	(Alternate Director to Datin Gan Chu Cheng)				
B. In Related Corporations					
(i) V.S. Ashin Technology Sdn. Bhd. (Ordinary shares of RM1.00 each)					
	Datuk Beh Kim Ling	-	5,880,000	(g) & (j)	84.00
	Datin Gan Chu Cheng	672,000	5,208,000	(g)	84.00
	Datuk Gan Sem Yam	746,667	-		10.67
(ii) VS Marketing & Engineering Pte. Ltd. (Ordinary shares)					
	Datuk Beh Kim Ling	-	1,224,000	(g)	51.00
	Datin Gan Chu Cheng	-	1,224,000	(g)	51.00
	Datuk Gan Sem Yam	-	816,000	(h)	34.00
	Dato’ Gan Tiong Sia	-	120,000	(i)	5.00
(iii) Serumi International Private Limited					
	Datuk Beh Kim Ling	-	1,933,400	(g)	96.67
	Datin Gan Chu Cheng	-	1,933,400	(g)	96.67
	Datuk Gan Sem Yam	-	1,933,400	(h)	96.67

ANALYSIS OF SHAREHOLDINGS

As at 31 October 2016
(cont'd)

DIRECTORS' INTERESTS IN SHARES AS AT 31 OCTOBER 2016

Name of Directors	Interests in Shares		Note	Percentage (%)
	Direct	Deemed		
B. In Related Corporations (cont'd)				
(iv) V.S. International Group Limited (Ordinary shares of HKD0.05 each)				
Datuk Beh Kim Ling	70,362,027	846,356,675	(g) & (j)	48.61
Datin Gan Chu Cheng	24,268,704	892,449,998	(g) & (k)	48.61
Datuk Gan Sem Yam	35,737,117	-		1.95
Dato' Gan Tiong Sia	17,215,074	-		0.94
Tang Sim Cheow	639,130	-		0.03
(v) V.S. Corporation (Hong Kong) Co., Limited (Non-voting deferred shares of HKD1.00 each)				
Datuk Beh Kim Ling	3,750,000	3,750,000	(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
Dato' Gan Tiong Sia	3,750,000	-		5.00
(vi) V.S. Investment Holdings Limited (Ordinary shares of HKD1.00 each)				
Datuk Beh Kim Ling	5	5	(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, son, Beh Chern Wei and daughters, Beh Hwee Lee and Beh Hwee Sze.
- (b) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling, son, Beh Chern Wei and daughters, Beh Hwee Lee and Beh Hwee Sze.
- (c) By virtue of the shareholdings of his spouse, Datin Ling Sok Mooi, son, Gan Pee Yong and daughter, Gan Chian Yi.
- (d) By virtue of the shareholdings of her spouse, Datuk Gan Sem Yam, son, Gan Pee Yong and daughter, Gan Chian Yi.
- (e) By virtue of the shareholdings of his spouse, Gan Siow Yong.
- (f) By virtue of the shareholdings of his spouse, Chai Ming Er.
- (g) By virtue of his/her substantial shareholdings in V.S. Industry Berhad.
- (h) By virtue of his substantial shareholdings in V.Plus Resources Pte. Ltd.
- (i) By virtue of the shareholdings of his daughter, Gan Swu Juan.
- (j) By virtue of the shareholdings of his spouse, Datin Gan Chu Cheng.
- (k) By virtue of the shareholdings of her spouse, Datuk Beh Kim Ling.

* Negligible percentage

ANALYSIS OF WARRANT HOLDINGS

As at 31 October 2016

No. of Unexercised Warrants : 290,742,787
Exercise Price : RM1.65 per Warrant
Warrant Issue Date : 7 January 2016
Expiry Date : 6 January 2019
No. of Warrant Holders : 5,951

DISTRIBUTION OF WARRANT HOLDINGS

Range of Warrants	No. of		No. of Warrants	Percentage (%)
	Warrant Holders	Percentage (%)		
1 - 99	762	12.80	36,431	0.01
100 - 1,000	1,132	19.02	605,013	0.21
1,001 - 10,000	2,544	42.75	10,158,097	3.49
10,001 - 100,000	1,240	20.84	42,379,341	14.58
100,001 - 14,537,138*	272	4.57	220,063,431	75.69
14,537,139 and above**	1	0.02	17,500,474	6.02
Total	5,951	100.00	290,742,787	100.00

* less than 5% of issued warrants

** 5% and above of issued warrants

THIRTY LARGEST WARRANT HOLDERS AS AT 31 OCTOBER 2016

No.	Name of Warrant Holders	Warrants Held	Percentage (%)
1.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAJINDER KAUR A/P PIARA SINGH (MARGIN)	17,500,474	6.02
2.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	11,812,312	4.06
3.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING (MBB HK-240577)	10,606,535	3.65
4.	BEH KIM LING	10,088,663	3.47
5.	JEGANATHAN A/L K MURUGASU	8,485,000	2.92
6.	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BNP PARIBAS SINGAPORE BRANCH (LOCAL)	8,159,831	2.81
7.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN SEM YAM	6,907,312	2.37
8.	MAYBANK INVESTMENT BANK BERHAD IVT (10)	6,687,500	2.30
9.	ANUCIA A/P MUTHUCUMARU	6,539,000	2.25
10.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GAN TONG CHUAN (PB)	6,403,319	2.20
11.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	5,487,500	1.89
12.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH CHEE MENG (MARGIN)	5,394,229	1.86

ANALYSIS OF WARRANT HOLDINGS

As at 31 October 2016
(cont'd)

No.	Name of Warrant Holders	Warrants Held	Percentage (%)
13.	LUI CHONG HUAT	5,120,000	1.76
14.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JEGANATHAN A/L K MURUGASU (CEB)	5,097,000	1.75
15.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	4,216,775	1.45
16.	CHIN CHIN SEONG	3,900,000	1.34
17.	YUDISHTRA A/L M JEGANATHAN	3,600,000	1.24
18.	REUBENDRA A/L JEGANATHAN	3,250,000	1.12
19.	TAN CHOOI HO	3,047,700	1.05
20.	HSBC NOMINEES (TEMPATAN) SDN BHD JPMCB FOR BEH CHERN WEI (JPMBLSA-JPMIB)	2,875,000	0.99
21.	GAN SWU KIM	2,500,000	0.86
22.	POH CHWEE NEO	2,450,000	0.84
23.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	2,400,000	0.82
24.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KUAN TECK	2,175,000	0.75
25.	FONG TECK SIONG	2,105,000	0.72
26.	GAN SEM YAM	2,093,750	0.72
27.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	2,089,900	0.72
28.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NG CHING YUN (MY2318)	2,060,675	0.71
29.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	2,000,000	0.69
30.	TAN KUAN TECK	1,950,000	0.67
	Total	157,002,475	54.00

ANALYSIS OF WARRANT HOLDINGS

As at 31 October 2016
(cont'd)

DIRECTORS' INTERESTS IN WARRANT AS AT 31 OCTOBER 2016

Name of Directors	Interests in Warrant		Note	Percentage (%)
	Direct	Deemed		
Datuk Beh Kim Ling	28,582,698	3,900,175	(a)	11.17
Datin Gan Chu Cheng	175	32,482,698	(b)	11.17
Datuk Gan Sem Yam	17,160,893	-		5.90
Dato' Gan Tiong Sia	-	-		-
Ng Yong Kang	-	-		-
Tan Sri Mohd Nadzmi Bin Mohd Salleh	212,500	-		0.07
Pan Swee Keat	12,500	-		0.01
Tang Sim Cheow	-	-		-
Chong Chin Siong	-	48,750	(c)	0.02
(Alternate Director to Datin Gan Chu Cheng)				

Note:

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



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

FORM OF PROXY

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 Fourth 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, 5 January 2017 at 10.00 a.m. and at any adjournment thereof.

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

NO.	RESOLUTIONS	FOR	AGAINST
1	Approval of a final single tier dividend of 0.8 sen per ordinary share of RM0.20 each for the financial year ended 31 July 2016		
2	Approval of Directors' fees		
3	Re-election of retiring Director, Datuk Beh Kim Ling		
4	Re-election of retiring Director, Datin Gan Chu Cheng		
5	Re-election of retiring Director, Mr Ng Yong Kang		
6	Re-appointment of KPMG as Auditors and authorise the Directors to fix their remuneration		
7	Authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
8	Renewal of Shareholders' Approval for Share Buy-Back		
9	Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates		
10	Renewal of Shareholders' Mandate for RRPTs with VS Marketing & Engineering Pte. Ltd. and/or Serumi International Private Limited		
11	Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd and/or Lip Sheng Precision (Zhuhai) Co., Ltd		
12	Renewal of Shareholders' Mandate for RRPTs with Beeantah Pte. Ltd.		
13	Retention of Tan Sri Mohd Nadzmi Bin Mohd Salleh as Independent Non-Executive Director		
14	Retention of Mr Pan Swee Keat as Independent Non-Executive Director		
15	Retention of Mr Tang Sim Cheow as Independent Non-Executive Director		

Signed this _____ day of _____ 2016/2017

Number of ordinary shares held

Signature of Member(s)

NOTES:

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

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 November 2016.

Fold this flap for sealing

Then fold here

AFFIX
STAMP
HERE

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

1st fold here

CORPORATE DIRECTORY

MALAYSIA

Headquarters

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

SUBSIDIARY COMPANIES

MALAYSIA

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

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

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

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

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

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

V.S. Integrated Management Sdn. Bhd.
Registered Office
Unit 901, Level 9, City Plaza
21, Jalan Tebrau
80300 Johor Bahru
Johor Darul Takzim
Tel No : 07-333 1898
Fax No : 07-333 0899

INDONESIA

PT. V.S. Technology Indonesia
Jl. Cendana Raya
Blok F.10 No. 06B
Kawasan Industri Delta Silicon III
Lippo Cikarang Bekasi
17550 Indonesia
Tel No : 62-212 9288 998
Fax No : 62-212 9617 877

SINGAPORE

VS Marketing & Engineering Pte. Ltd.
Serumi International Private Limited
36 Armenian Street
#02-02 Singapore 179934

V S International Venture Pte. Ltd.
Guardian South East Asia Pte. Ltd.
19 Keppel Road
#03-03/04
Jit Poh Buiding
Singapore 089058

MAURITIUS

V.S. Holdings (M) Ltd
Registered Office
St. Louis Business Centre
Cnr Desroches & St. Louis Streets
Port Louis
Mauritius
Tel No : 230-203 1100
Fax No : 230-203 1150

HONG KONG

V.S. International Group Limited
Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business
40th Floor, Jardine House
1 Connaught Place
Central, Hong Kong
Tel No : 86-756 3392 338
Fax No : 86-756 3385 681

ASSOCIATES

INDONESIA

PT. VS Mining Resources
Jl. Cendana Raya
Blok F.10 No. 06B
Kawasan Industri Delta Silicon III
Lippo Cikarang Bekasi
17550 Indonesia
Tel No : 62-212 9288 998
Fax No : 62-212 9617 877



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

PTD 86556, Jalan Murni 12, Taman Perindustrian Murni
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Website: www.vs-i.com