Taking Aim

V.S. Industry

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

ANNUAL REPORT
2011

COVER RATIONALE

"TAKING AIM"

Having a single-minded purpose; concentrating our energies and resources to move towards that direction.

Having refocused our operations into the fundamental Electronic Manufacturing Services (EMS) segment, we are now taking aim towards fulfilling our objectives: broadening our customer base, maintaining our position as one of the top 50 EMS providers in the world, and continually creating value for our shareholders.

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Corporate Information

Board of Directors

Beh Kim Ling
Executive Chairman

Gan Sem Yam
Managing Director

Gan Chu Cheng
Executive Director

Gan Tiong Sia
Executive Director

Ng Yong Kang
Executive Director

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

Pan Swee Keat
Independent Non-Executive Director

Tang Sim Cheow
Independent Non-Executive Director

Chang Tian Kwang
Alternate Director to Gan Chu Cheng

Audit Committee
Tang Sim Cheow (Chairman)
Pan Swee Keat
Dato' Sri Mohd Nadzmi bin Mohd Salleh

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

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

Joint Company Secretaries
Chang Tian Kwang
Ang Mui Kiow

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

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

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

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

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

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

Online Links
Corporate Website:
www.vs-i.com

Investor Relations Channel:
http://vsi.investor.net.my

CORPORATE PROFILE

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

In fact, VS is now ranked alongside top global EMS providers – making the list into the world's top 50 EMS providers for 4 consecutive years in 2007, 2008, 2009 and 2010.

Together with our Hong Kong Stock Exchange-listed associate 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.

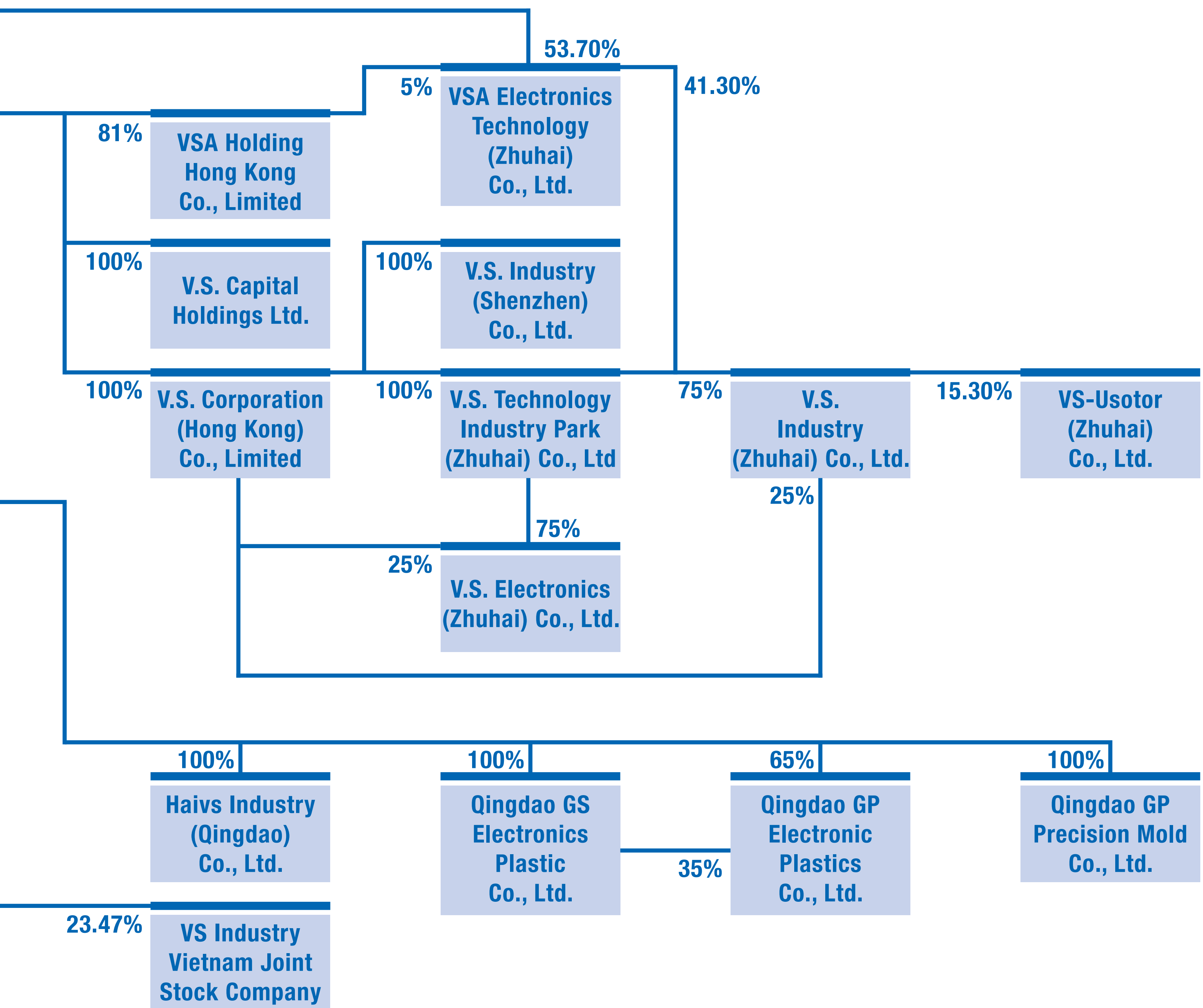
With more than 10 facilities across Asia, the VS Group effectively serves the EMS needs of customers worldwide.

Corporate Structure

V.S. Industry™

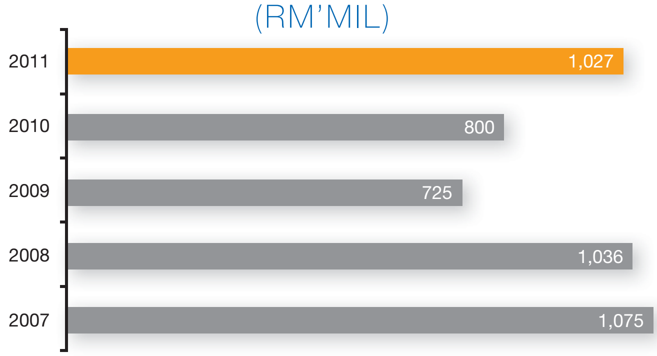
- 99.25% V.S. Plus Sdn. Bhd.
- 54.40% V.S. Ashin Technology Sdn. Bhd.
- 100% V.S. Technology Sdn. Bhd.
- 100% V.S. Logistics Sdn. Bhd.
- 43.06% V.S. International Group Limited
  - 100% V.S. International Industry Limited
  - 100% V.S. Resources Holding Limited
  - 100% V.S. Investment Holdings Limited
  - 100% V.S. Industry Holding Limited
  - 100% V.S. Holding Vietnam Limited
- 87.27% VVS Co., Ltd.
- 100% V.S. Electronics Sdn. Bhd.
- 51% VS Marketing & Engineering Pte. Ltd.
- 100% V.S. Holdings (M) Ltd
  - 16.97% PT. V.S. Technology Indonesia
- 83.03% PT. V.S. Technology Indonesia
- 45% PT. VS Mining Resources

Corporate Structure (Cont'd)

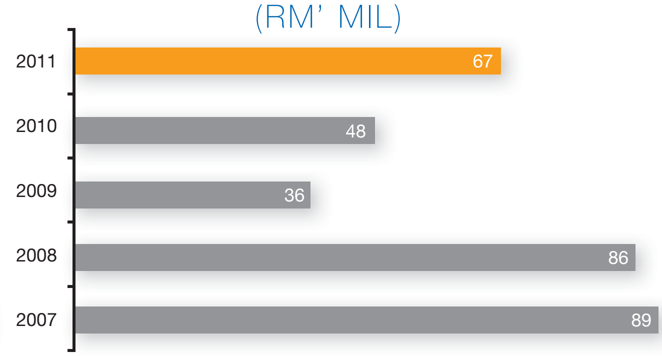


Financial Highlights

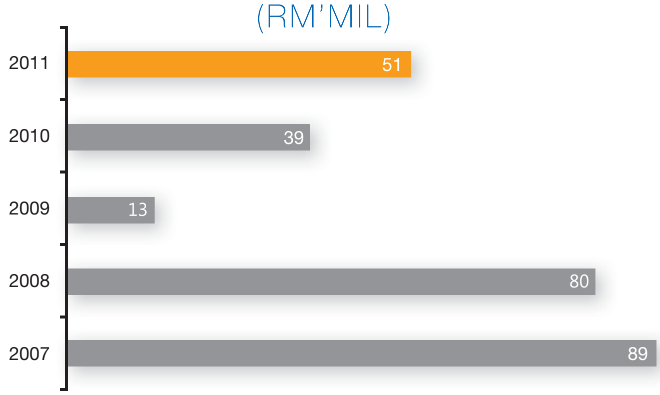
REVENUE
(RM'MIL)



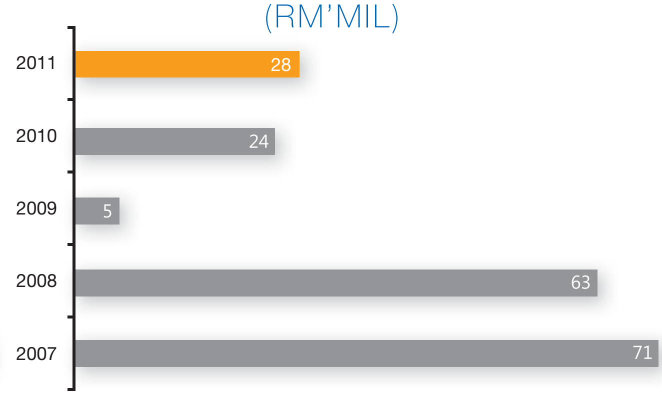
EARNINGS BEFORE INTEREST & TAX
(RM' MIL)



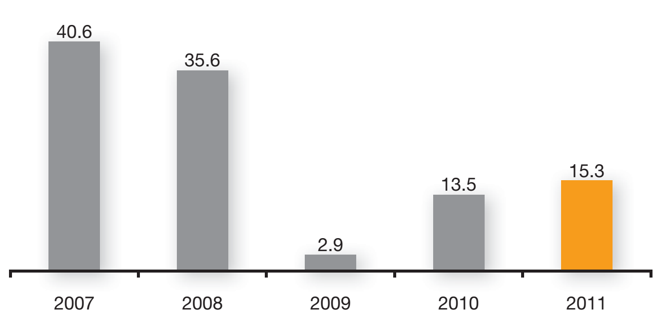
PROFIT BEFORE TAX
(RM'MIL)



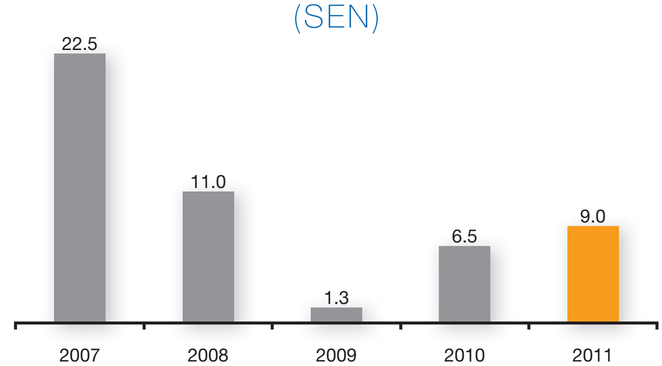
NET PROFIT
(RM'MIL)



BASIC EARNINGS PER SHARE
(SEN)



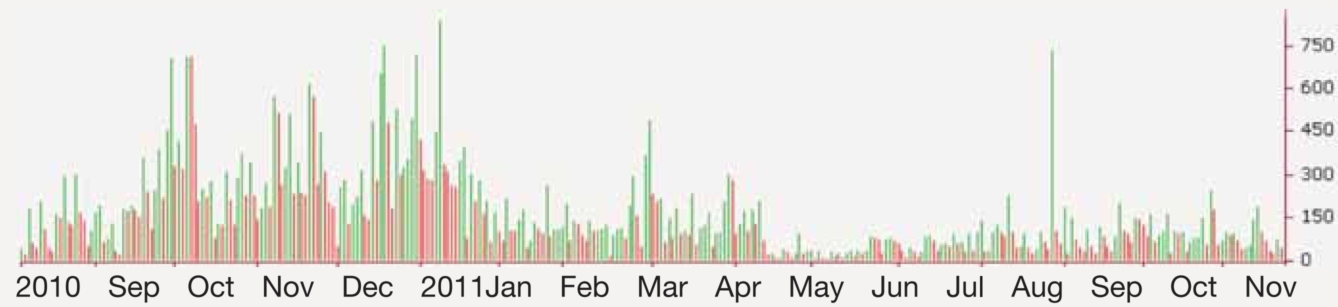
TAX-EXEMPT DIVIDEND PER SHARE
(SEN)



Financial Summary For the Financial Year ended 31 July (RM'000)	2011	2010 restated	2009	2008	2007
Revenue	1,026,818	800,170	724,836	1,035,647	1,074,739
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")	95,712	75,992	64,957	113,719	112,633
Earnings before Interest and Tax ("EBIT")	67,337	47,842	36,040	85,997	89,214
Share of Results of Associates	(10,491)	(3,648)	(16,215)	2,623	6,910
Profit before Tax ("PBT")	51,363	38,777	13,021	80,364	89,155
Net Profit after Minority Interest	27,721	24,290	5,224	63,422	70,889
Total Dividends Paid	16,337	11,751	2,331	18,593	31,699
As At 31 July (RM'000)					
Shareholders' Funds	389,384	374,587	357,816	355,115	297,689
Share Capital (RM1.00 par)	182,327	179,702	179,702	179,702	143,762
Reserves (Net of Treasury Shares at Cost)	207,057	194,885	178,114	175,413	153,927
Total Assets	770,990	754,179	711,523	776,464	742,623
Net Current Assets	97,036	45,937	(4,314)	(9,039)	6,277
Total Borrowings	134,829	170,044	177,650	193,916	176,731
Cash and Cash Equivalents	71,853	67,364	54,697	62,066	57,468
Per Share					
Basic Earnings per Share (sen)	15.3	13.5	2.9	35.6	40.6
Total Tax-Exempt Dividend per Share (sen)	9.0	6.5	1.3	11.0	22.5
Net Tangible Assets per Share (RM)	2.1	2.1	2.0	2.0	2.1
Returns (%)					
Return on Average Shareholders' Equity (%)	7.3	6.6	1.5	19.4	25.6
Return on Average Total Assets (%)	3.6	3.3	0.7	8.4	10.6
Financial Analysis					
Gross Margin (%)	14.4	15.2	13.6	15.6	15.2
Operating Margin (%)	6.6	6.0	5.0	8.3	8.3
PBT Margin (%)	5.0	4.8	1.8	7.8	8.3
Net Margin (%)	2.7	3.0	0.7	6.1	6.6
Gearing (Net of Cash) (times)	0.2	0.3	0.3	0.4	0.4
Interest Coverage (times)	12.3	8.8	5.3	10.4	12.8
Dividend Payout Ratio (%)	58.9	48.4	44.6	29.3	44.7

Share Price Performance

FROM 2 AUGUST 2010 To 15 November 2011



Period Close – 15 November 2011	RM1.42
Market Capitalisation	RM258.90 million

The secret of success is constancy to purpose.

Benjamin Disraeli

Letter to Shareholders

Dear Shareholders,

On behalf of the Board of Directors of V.S. Industry Berhad ("VS"), I hereby present to you the Annual Report and audited financial results of the Group and Company for the financial year ended 31 July 2011 ("FY2011").

Economic Review

The buoyant sentiment that accompanied the recovering economies globally in the second half of 2010 proved to be a catalyst for the Electronics Manufacturing Services ("EMS") industry, as demand for consumer electronics returned to the fore.

However, the positive rebound was tempered in mid-2011 as the European economic crisis began to unravel, stemming foremost from Greece's inability to repay its debt obligations. The dampened outlook, coupled with the fluctuations in commodity prices, impacted the EMS sector in terms of intensified competition for new business and rising raw material costs.

FY2011 Financial Performance

Since inception, the Group has made considerable progress in building our scope of EMS services and developing a strong customer base of leading international brands. This focus has undoubtedly enabled our financial performance to be back on track in the year under review.

I'm pleased to inform you that group revenues once again traced back to the billion-Ringgit league in FY2011, increasing 28.3% to RM1.03 billion from RM800.2 million, on the back of higher sales orders. This led to our manufacturing plants in Malaysia and Indonesia enjoying increasing capacity utilization.

At the same time, the Group saw an overall expansion in its production costs in tandem with the higher sales volume. In addition, the Group incurred a write-down of net assets in the disposal of subsidiary PT. GY Plantation Indonesia ("PTGY"), amortisation of costs in undertaking the Employees' Share Option Scheme ("ESOS"), and higher share of losses of associates.

As a result of the higher revenues, group profits before tax ("PBT") rose in tandem, increasing 32.5% to RM51.4 million from RM38.8 million previously, despite amortisation of costs in undertaking the ESOS, and higher share of losses of associate.

However, the Group's bottom line registered slower growth, posting net profits attributable to shareholders ("PATMI") of RM27.7 million, compared with the previous year's PATMI of RM24.3 million respectively. This is after taking into consideration the Group's share of the write-down of net assets in the discontinued plantation operations amounting to RM5.8 million, as a result of the disposal of 53%-owned subsidiary PTGY.

On a per share basis, earnings rose 13.3% to 15.34 sen in FY2011, from 13.54 sen previously.

The Group maintained a lean balance sheet with total borrowings reducing to RM134.8 million from RM170.0 million previously, and cash and cash equivalents of RM71.9 million as at end-July 2011, compared to the previous year's RM67.4 million.

With shareholders' equity of RM389.4 million as at end-July 2011, compared to RM374.6 million previously, the Group's net gearing improved vastly to 0.16 times, against 0.27 times in the previous financial year. With the ongoing exercise to dispose of the Group's non-core business, the Group's net gearing is expected to improve even further going forward.

Dividend Policy and Payout

VS has been paying dividends since our listing in 1998, with payout ratio ranging from 20% to 60% of our annual net profits. On average, VS has paid more than 40% of net profits as dividend to shareholders.

The Board is pleased to inform you that the Board had, on 30 March 2011, announced the setting of a dividend policy to pay at least 40% of group net profits to shareholders as dividends, with effect from FY2011.

The setting of the dividend policy indicates the Group's maturity as a publicly-listed entity, as well as the Board's confidence in VS's future prospects, backed by our increasing customer base of multi-national corporations, as a result of our favourable position in the EMS industry.

The dividend policy is therefore a step towards providing shareholders with consistent returns in line with our growing profitability. We believe that this initiative would enable us to cultivate a pool of long term shareholders in the Company.

In respect of FY2011, the Board has declared and paid dividends totalling 9.0 sen per share, consisting of interim single tier dividends of 2.0 sen per share (paid on 28 February 2011), 2.5 sen per share (paid on 5 May 2011), 1.5 sen per share (paid on 29 July 2011) and 3.0 sen per share (paid on 28 October 2011).

The total dividend payout of RM16.3 million in respect of FY2011 constitutes 58.9% of the Group's PATMI, above our committed level of 40%.

Corporate Developments

- Subscription of Rights Shares of V.S. International Group Limited ("VSIG")

  VSIG, the associate company of VS listed on the Hong Kong Stock Exchange, had on 22 December 2010 announced a corporate exercise of a 1-for-3 Rights Issue together with new free detachable warrants on the basis of 1 Warrant for every 2 Rights Shares subscribed. The proceeds from the Rights Issue was expected to be utilized for working capital, purchase and implementation of Enterprise Resource Planning system and computer hardware, and to defray the expenses relating to the exercise.

  Following the completion of the Rights Issue, VS successfully subscribed to 125.7 million Rights Shares of VSIG, resulting in VS holding 497.7 million or 43.06% of the enlarged number of shares of approximately 1,156.0 million shares in VSIG. At the same time, VS was allotted 62.9 million 3-year Warrants. The exercise price of the Warrants is fixed at HKD0.12 for 1 new VSIG Share.

- Disposal of PTGY

  VS has announced the disposal of the 53%-owned subsidiary, PTGY, which operates an oil palm plantation in West Kalimantan consisting of 759 hectares of matured oil palm and 3,432 hectares of immature oil palm.

  The disposal exercise was deemed completed on 27 October 2011, with the effect of the Disposal on the Group estimated to be approximately RM5.8 million loss, translating to a loss of approximately RM0.03 per share. This has been accounted for in the Group's FY2011 audited financial statements.

  In effect, the disposal of PTGY refocuses the Group's operations to its core EMS business.

  More importantly, the completion of the disposal means that the share of losses of PTGY will no longer be consolidated into the Group's financial statements. As such the Group's consolidated earnings are expected to improve subsequent to the disposal.

Future Prospects

At the time of writing, the global economy is undergoing a time of prolonged uncertainty, due primarily to the economic woes in the Euro zone and high unemployment in the United States; both of which have played a part in the slowdown in manufacturing activities in the region – indicating uncertain prospects of consumer demand going forward.

Furthermore, manufacturers worldwide also anticipate a keener competitive environment in the face of rising raw material prices and labour costs.

In recognition of these developments, the Board has aligned our strategies to enable the Group weather this period.

The Group intends to broaden our revenue base, not only by acquiring new clients, but more importantly by continuing to grow together with our existing customers. The Group would also spare no effort in optimizing our cost structure, with a view to enhance our operational efficiency whilst maintaining the quality of our products.

With three decades of experience in the EMS industry, the Board believes that VS is adequately equipped to face the challenges in the current financial year.

Corporate Governance

The Board supports the compliance of best practices under the Malaysian Code on Corporate Governance, in line with our objective to enhance and protect shareholders' value for the long term. Therefore, the Board implements a sound system of corporate governance throughout the Group as an essential platform for sustainable growth.

Corporate Responsibility ("CR")

VS has pledged its unwavering support for CR initiatives towards maintaining the welfare of the larger society. For instance, the Group has sustained our monitoring of noise, waste water and air quality to achieve a pollution-free environment for the comfort of our employees. Likewise, our procurement and manufacturing practices are in line with "green" principles.

We endeavour to continue this programme for the overall betterment of the environment.

Acknowledgements

On behalf of the Board of Directors, I would like to thank the management team and employees of the Group for their unceasing efforts in enabling VS achieve an excellent FY2011. Our appreciation also goes to our shareholders, business associates, suppliers, bankers and regulatory authorities for their support to the Group.

We trust in your continued collaboration as the Group takes aim at achieving our goals.

Beh Kim Ling,
Chairman

A successful team is a group of many hands but of one mind.

Bill Bethel

Face-to-face with the Management

… VS has been able to capture the upswing in demand for consumer electronics' EMS during the economic recovery in early 2011…we are also heartened by key operational achievements during the year, particularly in strengthening our customer portfolio.

Are you satisfied with VS' FY2011 performance?

The Group's FY2011 performance rode on the coattails of our impressive turnaround in the previous year, where we implemented a dual-pronged strategy of consistently marketing our EMS competencies to target customers, while maintaining stringent cost containment measures to improve operational efficiency.

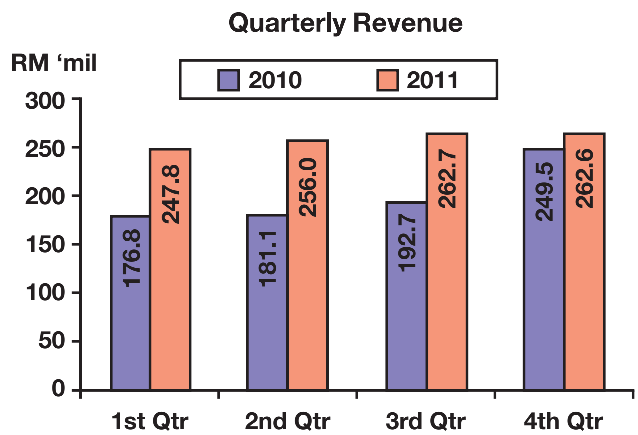
The year under review saw VS posting remarkable revenue growth across four consecutive quarters. In fact, VS has charted six consecutive quarters of revenue growth since the second half of FY2010.

This clearly indicates that VS has been able to capture the upswing in demand for consumer electronics' EMS during the economic recovery in early 2011, which has led to the Group's attaining billion-Ringgit revenues once more.

In addition to the commendable financial performance, we are also heartened by key operational achievements during the year, particularly in strengthening our customer portfolio. For one thing, the Group continued to see an uptrend in sales orders for our major customers.

The Group also secured a new client – USA-based Keurig, Incorporated ("Keurig") for whom VS will produce Keurig's® Single-Cup brewers and some system-related accessories. The appointment by Keurig, a wholly-owned subsidiary of NASDAQ-listed Green Mountain Coffee Roasters, Inc., enables Keurig to focus on developing new products and markets, while VS plays the role of a manufacturing outsource partner.

We trust that these accomplishments are significant milestones that will propel the Group forward.



What are the reasons behind the dismal performance of your associated company V.S. International Group Limited ("VSIG") in China, and your strategies to mitigate this?

The year under review saw the EMS sector in China facing tremendous internal and external pressures, arising from higher labour costs, and a more competitive landscape as customers began to shift their manufacturing requirements to other low-cost countries in the region. Under these trying circumstances, VSIG recorded group revenues of HKD1.6 billion in FY2011 compared to HKD1.5 billion previously.

Recognizing the increasingly-challenging environment endured by VSIG in the past few years, the management began to implement a rationalization exercise in the year under review. The exercise entailed a systematic programme of rightsizing production capacities alongside employee headcount to attain greater operational efficiency.

The financial impact of the streamlining exercise, coupled with VSIG's higher operating expenses and finance costs, weakened VSIG's bottom line in FY2011 with net losses of HK$61.0 million, compared to HK$14.3 million in the previous year.

That said, the management fervently believes that this rationalization exercise is essential in enhancing VSIG's competitiveness and long term sustainability in the EMS sector.

What are the prospects of the EMS industry going forward, and what is the Group's roadmap to meet the global challenges?

The global economic outlook remains murky, as leaders of European Union have yet to determine concrete measures to rescue unstable economies such as Greece and Italy. At the same time, the US market continues to grapple with high unemployment rates, which is likely to impact end-user demand for consumer electronics.

Against this scenario, industry data suggests that EMS providers would need to expand their suite of capabilities to serve their customers better, particularly in assisting consumer electronics providers deliver higher value-added products to the markets.

The bottom line is that the current financial year is anticipated to be a challenging period for the Group. VS remains committed to further entrenching our position in the global EMS sector. With the Group's recent disposal of non-core businesses in oil palm plantation and cessation of the coal mining operations, the management is now fully concentrated on nurturing the EMS business to achieve the next level.

To this end, we intend to expand our production capacity to adequately serve our new customers.

Recently, the Group's new production plant in Senai, Johor Bahru was officially opened by the Menteri Besar of Johor YAB Dato' Haji Abdul Ghani Othman. The new plant, dedicated to manufacturing Keurig® Single-Cup brewers and accessories, has a maximum capacity of 6 million sets per annum. VS targets to ramp up production for export by the first quarter of calendar year 2012.

The fully-equipped production facility has land built-up area of 20,695 square metre, which effectively increases the Group's overall production space in Senai by 20% to encompass 123,014 square metre.

At the same time, the Group intends to continue serving our customers well, with a view to foster enduring and positive partnerships. Indeed, we are proud of our track record of building a strong customer portfolio over the past three decades, and hope to continue partnering international consumer electronics brands in their market expansion efforts.

Finally, we will sustain our initiatives to raise our profile in the international arena to secure new customers, leveraging on our suite of end-to-end services and reputation as one of the world's top 50 EMS providers since 2007. We believe that these marketing efforts would go a long way in enhancing VS' top-of-mind awareness to our target market in the long term.

The management looks forward to your continued partnership in the years ahead.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Ninth Annual General Meeting of **V.S. INDUSTRY BERHAD** ("VSI" or "the Company") will be held at Perwira 1, Le Grandeur Palm Resort Johor, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor on Tuesday, 3 January 2012 at 10.00 a.m. for the following purposes:-

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 July 2011 together with the Directors' and Auditors' reports thereon. **RESOLUTION 1**

2. To approve the payment of Directors' fees totalling RM412,000 for the financial year ended 31 July 2011. **RESOLUTION 2**

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

   (a) Dato' Sri Mohd Nadzmi Bin Mohd Salleh - Article 93 **RESOLUTION 3**
   (b) Mdm Gan Chu Cheng - Article 93 **RESOLUTION 4**
   (c) Mr Ng Yong Kang - Article 93 **RESOLUTION 5**

4. 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:

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

   "THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **RESOLUTION 7**

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

"THAT, subject to compliance with the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, regulations and guidelines of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to allocate an amount not exceeding the total audited share premium and retained profits of the Company for the purpose of and to purchase such amount of ordinary shares of RM1.00 each ("VSI Shares") in the Company as may be determined by the Directors of the Company from time to time through the Bursa Securities as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company.

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

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

i. the conclusion of the next Annual General Meeting of the Company at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

ii. the expiration of the period within which the next Annual General Meeting after that is required by law to be held; or

iii. revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever is the earliest but not so as to prejudice the completion of purchase of own shares by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors deem fit, necessary or expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full power to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities." **RESOLUTION 8**

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Beh Kim Ling, Gan Sem Yam, Beh Chu Hiok and Gan Siew Tang as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 9 December 2011, 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 Beh Kim Ling, Gan Sem Yam, Beh Chu Hiok and Gan Siew Tang during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Beh Kim Ling, Gan Sem Yam, Beh Chu Hiok and Gan Siew Tang is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Beh Kim Ling, Gan Sem Yam, Beh Chu Hiok and Gan Siew Tang is subject to annual renewal and will continue to be in full force until:

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

   whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." **RESOLUTION 9**

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with V.S. International Group Limited, its subsidiaries and associates as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 9 December 2011, subject to the following:

(i) the RRPTs are:

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

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

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

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

whichever is the earlier;

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

9. **ORDINARY RESOLUTION**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Firstclass Returns Sdn Bhd ("Proposed Renewal of Shareholders' Mandate for RRPTs with Firstclass Returns Sdn Bhd")

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Firstclass Returns Sdn Bhd as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 9 December 2011, 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 Firstclass Returns Sdn Bhd during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Firstclass Returns Sdn Bhd is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Firstclass Returns Sdn Bhd is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 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**

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 ("Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International 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 as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 9 December 2011, 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 during the period in which the Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd is in force; and

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International 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**

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

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Inabata & Co., Ltd and its subsidiaries as set out in Section 2.3, Part B, the Circular to the Shareholders of VSI dated 9 December 2011, subject to the following:

(i) the RRPTs are:

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

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

(iii) the Proposed Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries is subject to annual renewal and will continue to be in full force until:

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." **RESOLUTION 13**

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

By Order of the Board

CHANG TIAN KWANG
ANG MUI KIOW
Secretaries

Johor Bahru
9 December 2011

NOTES:

1. Form of Proxy

i. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy 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.

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.

iv. 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.

2. Statement Accompanying the Notice of Annual General Meeting

Details of Directors standing for re-election at the Twenty-Ninth Annual General Meeting are stated in the Statement Accompanying the Notice of Twenty-Ninth Annual General Meeting set out on page 24 of the Annual Report.

3. Explanatory Notes on Special Business

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

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

The mandate sought under Ordinary Resolution No. 7 above is a renewal of an existing mandate and the proceeds raised from the previous mandate were RM1,590,820 (for the period from 3 January 2011 to 30 November 2011 (latest practicable date)) pursuant to the Company's Employees' Share Option Scheme which was approved at an Extraordinary General Meeting held on 19 November 2010.

The proceeds raised have not been utilised by the Company.

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 9 December 2011 accompanying the Company's 2011 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 13, 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 9 December 2011. 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 9 December 2011 which was circulated together with the 2011 Annual Report.

Statement Accompanying Notice Of Twenty-Ninth 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)	Dato' Sri Mohd Nadzmi Bin Mohd Salleh	- Article 93	RESOLUTION 3
(b)	Mdm 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 25, page 26 and page 120 of the Annual Report respectively.

Directors' Profile

Beh Kim Ling, *Executive Chairman*

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

Gan Sem Yam, *Managing Director*

Gan Sem Yam, aged 55, 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.

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

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

Dato' Sri Nadzmi, aged 57, a Malaysian, joined the Board on 24 October 1996. He was nominated as the Senior Independent Non-Executive Director on 1 August 2005, and is a member of the Audit Committee.

Dato' Sri Nadzmi has extensive corporate experience; notably 12 years with Edaran Otomobil Nasional Berhad and Perusahaan Otomobil Nasional Berhad ("PROTON"). He became the Deputy Managing Director of PROTON in November 1992 and was later promoted as the Managing Director of PROTON in June 1993. He left PROTON in May 1996 to pursue development of his privately-owned businesses.

He is also the Executive Chairman of Express Rail Link Sdn. Bhd., Nadi Corp Holdings Sdn. Bhd. and Trisilco Folec Sdn. Bhd.. Due to his vast experience and achievements in the automobile industry, he was appointed as Chairman of Proton Holdings Berhad on 1 January 2009. He is also Chairman of J.T. International Berhad and Chairman / Managing Director of Konsortium Transnasional Berhad, and Transocean Holdings Berhad. Dato' Sri Nadzmi obtained a Bachelor of Arts Degree in Economics and a Bachelor of Science Degree in Chemistry and Mathematics from Ohio University, USA in 1978. He later obtained a Master of Arts Degree in Economics and Statistics from Miami University, USA in 1980. Dato' Sri Nadzmi does not have any family relationship with any director or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

Gan Chu Cheng, *Executive Director*

Gan Chu Cheng, aged 57, 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, Mdm. 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. Mdm. Gan is the wife of Mr. Beh Kim Ling and sister to Mr. Gan Sem Yam and Mr. Gan Tiong Sia. Mdm. Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. She has not been convicted of any offences within the past ten (10) years.

Gan Tiong Sia, *Executive Director*

Gan Tiong Sia, aged 51, a Malaysian, was appointed to the Board on 27 February 1988. He joined the Company in 1982 as a Management Trainee and was promoted to Marketing Manager in 1986. He is responsible for the overall marketing function of the Group.

He also sits on the board of various subsidiary companies of the Company. Mr. Gan is the brother to Mdm. Gan Chu Cheng and Mr. Gan Sem Yam and brother-in-law to Mr. Beh Kim Ling. Mr. Gan has no other conflict of interest with the Group except for those transactions as disclosed in Note 30 to the financial statements. He has not been convicted of any offences within the past ten (10) years.

Ng Yong Kang, *Executive Director*

Ng Yong Kang, aged 50, a Malaysian, joined the Board on 1 August 2005.

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

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

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

Directors' Profile

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

Pan Swee Keat, aged 48, 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 currently runs an accounting firm, PSK & Co in Malacca. He completed his Association of Chartered Certified Accountants ("ACCA") programme at Emile Woolf College, London, and became an associate member of Chartered Association of Certified Accountants (UK) in 1992. He is a fellow member of ACCA.

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

Tang Sim Cheow, ***Independent Non-Executive Director***

Tang Sim Cheow, aged 52, a Malaysian, was appointed to the Board on 1 October 2004. He is the Chairman of the Audit Committee and Nomination Committee, and a member of the Remuneration Committee.

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

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

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

Chang Tian Kwang, ***Alternate Director to Madam Gan Chu Cheng***

Chang Tian Kwang, aged 46, a Malaysian, was appointed to the Board on 1 November 2000.

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

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

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

Corporate Governance Statement

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

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

A. Board of Directors

1. The Board

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

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

2. Board Balance

The Board currently comprise five (5) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Alternate Director. This complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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 has appointed Dato' Sri Mohd Nadzmi Bin Mohd Salleh as the Senior Independent Non-Executive Director to whom concerns may be conveyed. The Board is satisfied that the current Board composition reflects the interest of minority shareholders of the Company.

3. Board Meetings

During the financial year ended 31 July 2011, the Board held four (4) meetings where it deliberated upon a variety of issues including the Group's financial results and operational issues. Details of each existing Director's meeting attendances are as follows:

Name	Attendance
Beh Kim Ling	4/4
Gan Sem Yam	4/4
Gan Chu Cheng	4/4
Gan Tiong Sia	4/4
Ng Yong Kang	4/4
Dato' Sri Mohd Nadzmi bin Mohd Salleh	2/4
Pan Swee Keat	4/4
Tang Sim Cheow	4/4

All Directors have complied with the minimum attendance at Board meetings as stipulated by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

4. Board Committee

The Board, in discharging its fiduciary duties, is assisted by the three (3) Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee, each entrusted with specific tasks. The terms of reference of each Committee have been approved by the Board.

5. Supply of Information

Scheduled Board meetings are structured with a pre-set agenda. The Board receives Board papers on the matters requiring its consideration prior to and in advance of each meeting. 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.

6. Appointment to 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)*
		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, Mr. Gan Sem Yam 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 terms of reference of the Nomination Committee are as follows:

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

The Board through the Nomination Committee, reviews annually its required mix of skills and experience and other qualities, which Directors should bring to the Board.

7. Directors' Training

All Directors have completed the Mandatory Accreditation Programme. During the financial year, the Directors have attended the relevant training programme to update themselves on the new developments relating to corporate governance, leadership management, investment management, business environments, taxation and financial to better enable them to fulfill their responsibilities except for Mr Gan Sem Yam who was unable to attend any training programme due to tight business schedule.

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

8. Re-election

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.

B. Directors' Remuneration

1. Remuneration Committee

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

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

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

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

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

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

2. Details of the Directors' remuneration

Details of the nature and the amount of the Directors' remuneration paid or payable by the Group for the financial year ended 31 July 2011 are as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Basic Salary	6,728	-	6,728
Bonus	1,998	-	1,998
Performance Incentive	5,000*	-	5,000
Allowance	648	-	648
EPF	746	-	746
Socso	2	-	2
Leave Passage	7	-	7
Benefits-in-kind	135	-	135
Fees	114	298	412
	15,378	298	15,676

* The Executive Directors resolved to allocate RM2.0 million out of their entitlement under the Performance Incentive Scheme to the management staff. The above figure is net of RM2.0 million waived by the Executive Directors.

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

	Number of Directors	
Range of Remuneration	Executive	Non-Executive
RM 50,001 to RM 100,000	-	2
RM 100,001 to RM 150,000	-	1
RM1,500,001 to RM1,550,000	1	-
RM1,700,001 to RM1,750,000	1	-
RM2,600,001 to RM2,650,000	1	-
RM2,700,001 to RM2,750,000	1	-
RM3,100,001 to RM3,150,000	1	-
RM3,600,001 to RM3,650,000	1	-
	6	3

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

C. Shareholders

1. Dialogue between Companies and Investors

The Company recognises the importance of maintaining effective communication with its investors and shareholders and does this through the annual report, announcement to the Bursa Malaysia Securities Berhad, Company website and analyst meetings.

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.

2. Annual General Meeting

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.

D. Accountability and Audit

1. 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.

2. Directors' Responsibilities Statement in respect of the preparation of the Audited Financial Statements

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 ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgment and estimates.

3 Internal Control

The Directors are fully aware of their responsibilities to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Directors' responsibilities for the Group's system of internal controls cover not only the financial aspect but also operational and compliance controls as well as risk management.

The Statement on Internal Control furnished on page 39 of the Annual Report provides an overview of the state of internal controls within the Group.

4. Relationship with the Auditors

The Company, through its Audit Committee, has always maintained a transparent professional relationship with its external auditors.

The Audit Committee members have met and discussed with the external auditors twice during the financial year ended 31 July 2011.

A summary of the activities of the Audit Committee during the year are set out in the Audit Committee report on page 35 to 38 of the Annual Report.

E. Other information

1. 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 2011 or entered into since the end of the previous financial year.

2. Non-Audit Fees

During the financial year ended 31 July 2011, the non-audit fee incurred for services rendered to the Group by the Company's external auditors amounted to RM26,000.

3. Share Buy-back

Details of share repurchased during the financial year ended 31 July 2011 are as follows:

Month	No of shares repurchased	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration paid (RM)
August 2010	78,700	1.22	1.26	1.25	98,399
September 2010	224,400	1.30	1.41	1.36	304,648
March 2011	13,000	1.83	1.84	1.85	24,044
June 2011	25,700	1.62	1.65	1.64	42,082
	341,800				**469,173**

As at the end of the financial year, a total of 753,036 of the repurchased shares are being held as treasury shares and carried at cost. There is no resale of treasury shares or cancellation of shares during the financial year.

4. Revaluation Policy

The Group adopted a policy of revaluation on landed properties every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying amount.

5. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting held on 3 January 2011, 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 10 December 2010.

In accordance with Section 3.1.5 of Practice Note No. 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 July 2011 pursuant to the shareholders' mandate are disclosed as follows:

Transacting Parties	Related Parties	Nature of Transactions	Amount transacted during the financial year RM'000
VSI and Beh Kim Ling	Beh Kim Ling	Rental of two (2) units of single storey terrace house to VSI as hostel	12
VSI and Gan Sem Yam	Gan Sem Yam	Rental of one (1) unit of condominium to VSI as hostel	31
VSI and Beh Chu Hiok	Beh Kim Ling Gan Chu Cheng Gan Sem Yam Gan Tiong Sia	Rental of one (1) unit of single storey terrace house to VSI as hostel	5
VSI and Gan Teong Chai	Beh Kim Ling Gan Chu Cheng Gan Sem Yam Gan Tiong Sia	Rental of one (1) unit of single storey terrace house to VSI as hostel	3
VSI and Gan Siew Tang	Beh Kim Ling Gan Chu Cheng Gan Sem Yam Gan Tiong Sia	Rental of one (1) unit of single storey terrace house to VSI as hostel	7
VSI Group and VSIG Group	Beh Kim Ling Gan Chu Cheng Gan Sem Yam Gan Tiong Sia	Purchases of tooling, bins, resins, plastic component parts and equipments by VSI Group	1,011
VSI Group and VSIG Group	Beh Kim Ling Gan Chu Cheng Gan Sem Yam Gan Tiong Sia	Sales of resins, plastic component parts, equipments and sales commission income to VSIG Group	713
VSI Group and Lip Sheng International Ltd	Beh Kim Ling Gan Chu Cheng Gan Sem Yam Gan Tiong Sia	Purchases of tooling by VSI Group and sales related to tooling fabrication to Lip Sheng International Ltd	2,007
VSI and Firstclass Returns Sdn Bhd	Beh Kim Ling Gan Sem Yam	Rental of factory premises to VSI	233
VSI Group and Inabata Group	Inabata & Co., Ltd	Purchases of resins and equipments by VSI Group	6,649

Abbreviations

"VSI"	*: V.S. Industry Berhad*
"VSI Group"	*: VSI and its subsidiaries*
"VSIG Group"	*: V.S. International Group Limited, its subsidiaries and associates*
"Inabata Group"	*: Inabata & Co., Ltd and its subsidiaries*

Audit Committee Report

Membership

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

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

Meetings

During the financial year ended 31 July 2011, the Committee convened four (4) meetings. The meetings were appropriately structured through the use of agendas, which were distributed to members prior to the meeting.

The Executive Directors, the representative of the Internal Audit, the representatives of the external auditors, Messrs KPMG, members of the management and employees of the Group were present as and when invited.

Details of attendance are listed below:

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

Summary of activities

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

i. Reviewed the quarterly unaudited financial results and announcement prior to recommending the same for the Board's approval.
ii. Reviewed the external auditors' scope of work and audit plan for the financial year 2011.
iii. Reviewed with the external auditors the results of the audit, the audit report and the management letter.
iv. Reviewed the internal audit planning and internal audit reports.
v. Reviewed the related party transactions entered into by the Group.
vi. Verified the allocation of the Employees' Share Option Scheme ("ESOS") to ensure that it is in accordance with criteria set out in the ESOS By-laws of the Company.

Internal Audit Function

The Audit Committee is supported by an independent internal audit department. The main role of the department is to undertake independent, regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems are operating and continue to operate satisfactorily and effectively. The total costs incurred in connection with the internal audit function during the financial year amounted to RM477,000.

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

Terms of reference

1. Objectives

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

In addition, the Audit Committee shall:

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

2. Composition

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

a) The Audit Committee must be composed of no fewer than 3 members;
b) All the Audit Committee members must be Non-Executive Directors with a majority of them must be independent directors; and
c) At least one member of the Audit Committee:
   i. must be a member of the Malaysian Institute of Accountants; or
   ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
      - he must have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act, 1967; or
      - he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
   iii. fulfills such other requirements as prescribed or approved by the Exchange.

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

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

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

3. Functions

The functions of the Audit Committee are as follows:

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

b) To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;

c) To discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;

d) To review the quarterly results and year-end financial statements of the company and its subsidiary(s), focusing particularly on:
   - any changes in accounting policies and practices;
   - significant adjustments arising from the audit;
   - the going concern assumption;
   - compliance with accounting standards and other legal requirements.

e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);

f) To review the external auditors' management letter and management's response;

g) To do the following:
   - review the adequacy of the scope, competency, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
   - review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
   - review any appraisal or assessment of the performance of members of the internal audit function;
   - approve any appointments or termination of senior staff of the internal audit function;
   - inform itself of resignations of internal audit staff and provide the resigning staff an opportunity to submit his reasons for resigning.

h) To consider the major findings of internal investigations and management's response; and

i) To consider other areas as defined by the Board.

4. Rights of the Audit Committee

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

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

5. Meetings

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

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

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

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

A quorum shall consist of a majority of independent directors.

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

Statement Of 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 internal control in the Group during the financial year.

BOARD'S RESPONSIBILITY

The Board is ultimately responsible for the Group's systems of internal control which includes the establishment of an effective control environment and appropriate internal control framework as well as to review its adequacy and integrity. Due to limitations inherent in any systems of internal control, it is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Therefore, the system can only provide a reasonable and not absolute degree of assurance that assets are safeguarded against material loss or misstatement.

RISK MANAGEMENT FRAMEWORK

The Board confirms that there is an on-going process of identifying, evaluating, monitoring and managing the significant risks faced by the Group for the financial year under review, and the Board reviews the process.

As part of the commitment to manage risks, a Risk Management Committee ("RMC") is in place to identify risks and to ensure the implementation of adequate control systems to mitigate significant risks faced by the Group not including joint ventures and associates.

In discharging its stewardship responsibilities, the Board recognizes that risk management within the V.S. Industry Berhad and its subsidiary companies:
- should be an integral part of the Group's cultures;
- is a continuous on-going process; and
- is a logical and systematic method of identifying, measuring and managing the Group's risks.

INTERNAL AUDIT DEPARTMENT

The Internal Audit Department reports to the Audit Committee on quarterly basis. Annual internal audit plan was presented to the Audit Committee for approval prior to the commencement of the internal audit work.

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

The activities that were carried out by Internal Audit Department are as follows:

- Mapping of the current state of procedures and processes;
- Identifying potential areas that lack control and efficiency from the process maps;
- Testing identified risk areas;
- Evaluating other areas and matters pertinent to the Company for compliance;
- Holding meetings with Management to agree on audit findings;
- Reporting of irregularities to management and Audit Committee and provide recommendations in managing risks identified;
- Establishing a feedback mechanism for all staff to provide feedback in managing risks; and
- Performing ad-hoc tasks as requested by the Audit Committee.

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

OTHER RISKS AND CONTROL PROCESSES

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

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

FINANCIAL CONTENTS

Directors' Report
For the year ended 31 July 2011

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 July 2011.

Principal activities

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 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	27,721	19,052
Non-controlling interests	(6,285)	-
	21,436	19,052

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

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

i) paid a final single tier dividend of 5 sen per ordinary share of RM1.00 each totalling RM9,060,879 in respect of the year ended 31 July 2010 on 24 January 2011;

ii) paid a first interim single tier dividend of 2 sen per ordinary share of RM1.00 each totalling RM3,628,835 in respect of the year ended 31 July 2011 on 28 February 2011;

iii) paid a second interim single tier dividend of 2.5 sen per ordinary share of RM1.00 each totalling RM4,537,224 in respect of the year ended 31 July 2011 on 5 May 2011;

iv) paid a third interim single tier dividend of 1.5 sen per ordinary share of RM1.00 each totalling RM2,723,595 in respect of the year ended 31 July 2011 on 29 July 2011; and

v) declared a fourth interim single tier dividend of 3 sen per ordinary share of RM1.00 each totalling RM5,447,000 in respect of the year ended 31 July 2011 on 29 September 2011. This dividend was paid on 28 October 2011.

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

Directors of the Company

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

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

Directors' interests

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

		Number of ordinary shares ('000)			
Name of Directors	**Interest**	**At 1 August 2010**	**Bought/ ESOS exercised**	**Sold**	**At 31 July 2011**
Company					
Ordinary shares of RM1.00 each					
Mr. Beh Kim Ling	Direct	31,466	140	-	31,606
	Deemed	24,240	276	-	24,516
Mdm. Gan Chu Cheng	Direct	24,240	140	-	24,380
	Deemed	31,466	276	-	31,742
Mr. Gan Sem Yam	Direct	12,914	140	-	13,054
	Deemed	1,275	-	(750)	525
Mr. Gan Tiong Sia	Direct	4,707	183	-	4,890
	Deemed	21	60	(60)	21
Mr. Ng Yong Kang	Direct	27	140	-	167
Mr. Pan Swee Keat	Direct	-	20	-	20
Mr. Tang Sim Cheow	Direct	-	20	-	20
Mr. Chang Tian Kwang	Direct	-	140	-	140
Subsidiaries					
- VVS Co., Ltd. Ordinary shares of HKD1.00 each					
Mr. Beh Kim Ling	Direct	3	-	-	3
	Deemed	90	-	-	90
Mdm. Gan Chu Cheng	Direct	3	-	-	3
	Deemed	90	-	-	90
Mr. Gan Sem Yam	Direct	3	-	-	3
Mr. Gan Tiong Sia	Direct	3	-	-	3

Name of Directors	Interest	Number of ordinary shares ('000) At 1 August 2010	Bought	Sold	At 31 July 2011
- V.S. Ashin Technology Sdn. Bhd. Ordinary shares of RM1.00 each					
Mr. Beh Kim Ling	Deemed	4,480	-	-	4,480
Mdm. Gan Chu Cheng	Direct	672	-	-	672
	Deemed	3,808	-	-	3,808
Mr. Gan Sem Yam	Direct	747	-	-	747
- V.S. Plus Sdn. Bhd. Ordinary shares of RM1.00 each					
Mr. Beh Kim Ling	Deemed	36,625	13,000	-	49,625
Mdm. Gan Chu Cheng	Deemed	36,625	13,000	-	49,625
- VS Marketing & Engineering Pte. Ltd. Ordinary shares of SGD1.00 each					
Mr. Beh Kim Ling	Deemed	102	-	-	102
Mdm. Gan Chu Cheng	Deemed	102	-	-	102
- PT. GY Plantation Indonesia Ordinary shares of USD1.00 each					
Mr. Beh Kim Ling	Deemed	9,867	483	-	10,350
Mdm. Gan Chu Cheng	Direct	2,288	112	-	2,400
	Deemed	7,579	371	-	7,950
Mr. Gan Sem Yam	Direct	3,289	161	-	3,450
Mr. Gan Tiong Sia	Direct	286	14	-	300

Name of Directors	Number of options over ordinary shares of RM1.00 each ('000) Granted and accepted	Exercised	At 31 July 2011
Mr. Beh Kim Ling	700	(140)	560
Mdm. Gan Chu Cheng	700	(140)	560
Mr. Gan Sem Yam	700	(140)	560
Mr. Gan Tiong Sia	700	(140)	560
Dato' Sri Mohd Nadzmi bin Mohd Salleh	100	-	100
Mr. Pan Swee Keat	100	(20)	80
Mr. Tang Sim Cheow	100	(20)	80
Mr. Ng Yong Kang	700	(140)	560
Mr. Chang Tian Kwang	700	(140)	560

By virtue of their substantial shareholdings in the Company, Mr. Beh Kim Ling and Mdm. Gan Chu Cheng are deemed to have interests in the ordinary shares of all the wholly-owned subsidiaries of the Company as disclosed in Note 6 to the financial statements.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except as disclosed in Note 30 to the financial statements.

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

Issue of shares and debentures

During the financial year, the Company issued 2,624,600 new ordinary shares of RM1.00 each for cash arising from the exercise of employees' share options at an exercise price of RM1.54 per ordinary share.

At the Annual General Meeting held on 3 January 2011, the shareholders of the Company renewed their approval for the Company to repurchase its own shares. During the financial year, the Company repurchased in the open market a total of 341,800 of its issued ordinary shares. The average repurchase price was RM1.37. 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.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees' Share Option Scheme.

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

The salient features of the ESOS are as follows:

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

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

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

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

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

d) The subscription price for each ordinary share shall be the weighted average market price of the shares of the Company as shown in the Daily Official List issued by Bursa Malaysia Securities Berhad ("Bursa Securities") for the five (5) market days immediately preceding the date of the offer with a discount of not more than ten per centum (10%) or the par value of the ordinary shares, whichever is higher.

e) The option is personal to the grantee and is non-assignable.

f) The options granted may be exercised at any time within the period of five (5) years commencing from 19 November 2010, subject to a further extension of five (5) years as the Board may determine.

g) The option are exercisable to a maximum percentage of 20% of the number of options granted in each calendar year.

h) The options shall be exercised in multiple of and not less than one hundred (100) options.

i) Option exercisable in a particular year but not exercised can be carried forward to the subsequent years subject to the time limit of the Scheme.

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

			Number of options over ordinary shares of RM1.00 each ('000)			
Date of offer	**Exercise price**	**At 1 August 2010**	**Granted**	**Exercised**	**Forfeited**	**At 31 July 2011**
19 November 2010	RM1.54	-	26,178	(2,625)	(2,690)	20,863

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of persons to whom options have been granted during the financial year and details of their holdings as required by Section 169(11) of the Companies Act, 1965 except for information on employees who were granted options representing 400,000 and above ordinary shares of RM1.00 each. The names of option holders and the number of options granted in aggregate of 400,000 options and above are as follows:

Name of option holders	**Number of options ('000)**
Mr. Beh Kim Ling	700
Mdm. Gan Chu Cheng	700
Mr. Gan Sem Yam	700
Mr. Gan Tiong Sia	700
Mr. Ng Yong Kang	700
Mr. Chang Tian Kwang	700
En. Mohamad bin Yusof	400

Other statutory information

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

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

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

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

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

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

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

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

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

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

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

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, other than the impairment loss on biological assets included in the results of the discontinued operation of the Group as shown in Note 13, the financial performance of the Group and of the Company for the financial year ended 31 July 2011 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:

Gan Sem Yam

Gan Tiong Sia

Johor Bahru,

15 November 2011

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 51 to 113, are drawn up in accordance with 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 at 31 July 2011 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 33 to the financial statements has been compiled 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.

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

Gan Sem Yam

Gan Tiong Sia

Johor Bahru,

15 November 2011

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

I, **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 51 to 114 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 15 November 2011.

Gan Chu Cheng

Before me:
K. Amudalingam (No: J-133)
PLP, PIS, PPN
Commissioner For Oaths

Independent Auditors' Report

to the members of V. S. Industry Berhad

Report on the Financial Statements

We have audited the financial statements of V. S. Industry Berhad, which comprise the statements of financial position as at 31 July 2011 of the Group and of the Company, and the statements of 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 51 to 113.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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 have been properly drawn up in accordance with 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 2011 and of their financial performance and cash flows for the year then ended.

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 all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

Report on Other Legal and Regulatory Requirements (Cont'd)

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 33 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 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

Wee Beng Chuan
Approval Number: 2677/12/12 (J)
Chartered Accountant

Johor Bahru

15 November 2011

Statements of Financial Position

As at 31 July 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 restated	Company 2011 RM'000	Company 2010 RM'000 restated
Assets					
Property, plant and equipment	3	264,552	268,960	103,999	108,757
Biological assets	4	-	37,344	-	-
Investment properties	5	9,300	9,300	7,000	7,000
Investments in subsidiaries	6	-	-	114,455	80,651
Investments in associates	7	91,977	95,661	25,265	19,337
Loans to subsidiaries	8	-	-	-	32,894
Loan to an associate	9	-	1,928	-	1,928
Deferred tax assets	10	-	421	-	-
Total non-current assets		365,829	413,614	250,719	250,567
Inventories	11	87,227	77,380	39,320	43,038
Trade and other receivables	12	203,250	195,821	144,466	155,830
Assets classified as held for sale	13	42,831	-	-	-
Cash and cash equivalents	14	71,853	67,364	43,444	46,389
Total current assets		405,161	340,565	227,230	245,257
Total assets		770,990	754,179	477,949	495,824
Equity					
Share capital		182,327	179,702	182,327	179,702
Reserves		222,582	194,885	79,204	75,277
Amount recognised directly in equity relating to assets held for sale	13	(15,525)	-	-	-
Total equity attributable to owners of the Company	15	389,384	374,587	261,531	254,979
Non-controlling interests		13,612	19,242	-	-
Total equity		402,996	393,829	261,531	254,979
Liabilities					
Long term payables	16	4,322	4,322	-	-
Loans and borrowings	17	29,509	35,825	6,854	15,668
Deferred tax liabilities	10	26,038	25,575	12,639	13,498
Total non-current liabilities		59,869	65,722	19,493	29,166
Trade and other payables	18	181,780	156,677	124,085	117,650
Loans and borrowings	17	105,320	134,219	69,892	89,560
Taxation		3,769	3,732	2,948	4,469
Liabilities classified as held for sale	13	17,256	-	-	-
Total current liabilities		308,125	294,628	196,925	211,679
Total liabilities		367,994	360,350	216,418	240,845
Total equity and liabilities		770,990	754,179	477,949	495,824

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

Statements of Comprehensive Income

For the year ended 31 July 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 restated	Company 2011 RM'000	Company 2010 RM'000
Continuing operations					
Revenue					
Goods sold		1,026,818	800,170	747,463	582,669
Cost of goods sold		(879,318)	(678,894)	(647,297)	(499,319)
Gross profit		147,500	121,276	100,166	83,350
Other income		6,048	4,867	5,186	5,163
Distribution expenses		(25,548)	(20,320)	(21,718)	(15,511)
Administrative expenses		(52,498)	(42,014)	(32,091)	(26,973)
Other expenses		(8,165)	(15,967)	(18,115)	(17,003)
Results from operating activities		67,337	47,842	33,428	29,026
Interest income		756	599	505	438
Finance costs	19	(6,239)	(6,016)	(3,715)	(3,486)
Net finance costs		(5,483)	(5,417)	(3,210)	(3,048)
Operating profit	20	61,854	42,425	30,218	25,978
Share of loss of equity accounted associate, net of tax		(10,491)	(3,648)	-	-
Profit before tax		51,363	38,777	30,218	25,978
Income tax expense	21	(15,875)	(13,427)	(11,166)	(9,540)
Profit from continuing operations		35,488	25,350	19,052	16,438
Discontinued operation					
Loss from discontinued operation, net of tax	13	(14,052)	(1,819)	-	-
Profit for the year		21,436	23,531	19,052	16,438
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(1,120)	(2,358)	-	-
Total comprehensive income for the year		20,316	21,173	19,052	16,438
Profit attributable to:					
Owners of the Company		27,721	24,290	19,052	16,438
Non-controlling interests		(6,285)	(759)	-	-
Profit for the year		21,436	23,531	19,052	16,438
Total comprehensive income attributable to:					
Owners of the Company		27,136	21,328	19,052	16,438
Non-controlling interests		(6,820)	(155)	-	-
Total comprehensive income for the year		20,316	21,173	19,052	16,438
Basic earnings per ordinary share (sen)	22				
- from continuing operations		19.53	14.08		
- from discontinued operation		(4.19)	(0.54)		
		15.34	13.54		
Diluted earnings per ordinary share (sen)	22				
- from continuing operations		19.19	-		
- from discontinued operation		(4.11)	-		
		15.08	-		

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

Consolidated Statement of Changes in Equity

For the year ended 31 July 2011

		Attributable to owners of the Company										
		Non-distributable							Distributable			
	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share - based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group												
At 1 August 2009		179,702	-	49,243	11,148	9,121	-	(467)	109,069	357,816	18,115	375,931
Profit for the year		-	-	-	-	-	-	-	24,290	24,290	(759)	23,531
Realisation of revaluation reserve		-	-	(890)	-	-	-	-	890	-	-	-
Foreign currency translation differences for foreign operations		-	-	-	(2,962)	-	-	-	-	(2,962)	604	(2,358)
Total comprehensive income for the year		-	-	(890)	(2,962)	-	-	-	25,180	21,328	(155)	21,173
Shares buy back		-	-	-	-	-	-	(49)	-	(49)	-	(49)
Equity settled share based transaction	15											
- Share option granted in an associate		-	-	-	-	-	513	-	-	513	-	513
Increase in share capital of a subsidiary		-	-	-	-	-	-	-	-	-	1,282	1,282
Dividends to owners of the Company	23	-	-	-	-	-	-	-	(5,021)	(5,021)	-	(5,021)
At 31 July 2010		179,702	-	48,353	8,186	9,121	513	(516)	129,228	374,587	19,242	393,829

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

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31 July 2011

		Attributable to owners of the Company											
		Non-distributable							Distributable				
	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Capital reserve RM'000	Employee share - based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Assets held for sale RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group													
At 1 August 2010		179,702	-	48,353	8,186	9,121	513	(516)	129,228	-	374,587	19,242	393,829
Profit for the year		-	-	-	-	-	-	-	35,280	(7,559)	27,721	(6,285)	21,436
Reclassification to assets held for sale		-	-	-	2,812	-	-	-	4,594	(7,406)	-	-	-
Realisation of revaluation reserve		-	-	(835)	-	-	-	-	835	-	-	-	-
Foreign currency translation differences for foreign operations		-	-	-	(25)	-	-	-	-	(560)	(585)	(535)	(1,120)
Total comprehensive income for the year		-	-	(835)	2,787	-	-	-	40,709	(15,525)	27,136	(6,820)	20,316
Shares buy back		-	-	-	-	-	-	(469)	-	-	(469)	-	(469)
Equity settled share based transaction	15												
- Share option granted		-	-	-	-	-	3,730	-	-	-	3,730	147	3,877
- Share option granted in an associate		-	-	-	-	-	308	-	-	-	308	-	308
- Share option exercised		-	963	-	-	-	(963)	-	-	-	-	-	-
- Shares issued		2,625	1,418	-	-	-	-	-	-	-	4,043	-	4,043
Increase in share capital of a subsidiary		-	-	-	-	-	-	-	-	-	-	1,043	1,043
Dividends to owners of the Company	23	-	-	-	-	-	-	-	(19,951)	-	(19,951)	-	(19,951)
At 31 July 2011		182,327	2,381	47,518	10,973	9,121	3,588	(985)	149,986	(15,525)	389,384	13,612	402,996

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

Statement of Changes in Equity (Cont'd)

For the year ended 31 July 2011

	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Employee share-based reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
		Attributable to owners of the Company						
		Non-distributable					*Distributable*	
Company								
At 1 August 2009		179,702	-	17,190	-	(467)	47,186	243,611
Profit for the year		-	-	-	-	-	16,438	16,438
Realisation of revaluation reserve		-	-	(375)	-	-	375	-
Total comprehensive income for the year		-	-	(375)	-	-	16,813	16,438
Shares buy back		-	-	-	-	(49)	-	(49)
Dividends to owners of the Company	23	-	-	-	-	-	(5,021)	(5,021)
At 31 July 2010		179,702	-	16,815	-	(516)	58,978	254,979
Profit for the year		-	-	-	-	-	19,052	19,052
Realisation of revaluation reserve		-	-	(375)	-	-	375	-
Total comprehensive income for the year		-	-	(375)	-	-	19,427	19,052
Shares buy back		-	-	-	-	(469)	-	(469)
Equity settled share-based transaction	15							
- Share option granted		-	-	-	3,877	-	-	3,877
- Share option exercised		-	963	-	(963)	-	-	-
- Shares issued		2,625	1,418	-	-	-	-	4,043
Dividends to owners of the Company	23	-	-	-	-	-	(19,951)	(19,951)
At 31 July 2011		182,327	2,381	16,440	2,914	(985)	58,454	261,531

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

Statements of Cash Flows

For the year ended 31 July 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 restated	Company 2011 RM'000	Company 2010 RM'000 restated
Cash flows from operating activities					
Profit before tax:					
- continuing operations		51,363	38,777	30,218	25,978
- discontinued operation	13	(14,204)	(1,958)	-	-
		37,159	36,819	30,218	25,978
Adjustments for:-					
Depreciation	3	28,375	28,150	9,822	10,073
Changes in fair value of investment properties		-	(19)	-	-
Reversal of impairment loss on investments in subsidiaries		-	-	(1,996)	(882)
Impairment losses on investments in associates		798	10,853	2,943	13,680
Interest expense	19	5,977	5,806	3,653	3,436
Interest income		(756)	(599)	(505)	(438)
Gain on disposal of property, plant and equipment		(379)	(91)	(454)	(22)
Property, plant and equipment written off		95	82	95	47
Share of loss in associates		10,491	3,648	-	-
Unrealised loss on foreign exchange		1,616	702	2,226	3,276
Impairment loss on biological assets		10,603	576	-	-
Impairment losses on receivables/ Allowance for doubtful debts:					
- continuing operations		319	489	12,155	-
- discontinued operation		4,216	2,505	-	-
Equity settled share-based transactions		3,877	-	2,070	-
Operating profit before changes in working capital		102,391	88,921	60,227	55,148
Change in inventories		(10,234)	(12,314)	3,718	(7,052)
Change in trade and other receivables		(12,432)	(61,186)	24,078	(39,055)
Change in trade and other payables		29,283	43,402	8,074	36,089
Cash generated from operations		109,008	58,823	96,097	45,130
Interest received		634	357	383	195
Tax paid		(15,365)	(10,134)	(13,546)	(8,220)
Net cash from operating activities		94,277	49,046	82,934	37,105

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

Statements of Cash Flows (Cont'd)

For the year ended 31 July 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 restated	Company 2011 RM'000	Company 2010 RM'000 restated
Cash flows from investing activities					
Acquisition of:					
- biological assets	24	(3,627)	(2,041)	-	-
- property, plant and equipment	24	(39,641)	(18,537)	(7,123)	(12,597)
Investments in subsidiaries		-	-	(30,000)	-
Investments in associates		(8,871)	-	(8,871)	-
Proceeds from disposal of property, plant and equipment		2,462	2,741	1,443	41
Interest received		122	243	122	243
Loans to subsidiaries		-	-	4,655	(2,326)
Repayment of loan to associates		2,691	2,362	2,691	2,871
Net cash used in investing activities		(46,864)	(15,232)	(37,083)	(11,768)
Cash flows from financing activities					
Proceeds from long term borrowings		14,565	24,408	549	20,000
Repayment of long term borrowings		(19,957)	(22,193)	(10,446)	(12,347)
Payments of finance lease liabilities		(2,586)	(2,759)	(145)	(235)
Net drawdown from short term borrowings		(11,954)	(7,828)	(18,724)	(7,316)
Interest paid		(5,977)	(5,806)	(3,653)	(3,436)
Repurchase of treasury shares		(469)	(49)	(469)	(49)
Funds from non-controlling interests		1,043	1,282	-	-
Dividend paid to owners of the Company		(19,951)	(5,021)	(19,951)	(5,021)
Proceeds from issue of share capital		4,043	-	4,043	-
Net cash used in financing activities		(41,243)	(17,966)	(48,796)	(8,404)
Exchange differences on translation of the financial statements of foreign operations		(585)	(2,962)	-	-
Net increase/(decrease) in cash and cash equivalents		5,585	12,886	(2,945)	16,933
Cash and cash equivalents at 1 August		65,723	52,875	46,389	29,456
Foreign exchange differences on opening balance		(21)	(38)	-	-
Cash and cash equivalents at 31 July		71,287	65,723	43,444	46,389

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

	Group 2011 RM'000	Group 2010 RM'000 restated	Company 2011 RM'000	Company 2010 RM'000 restated
Cash and bank balances	52,864	49,119	34,575	36,289
Deposits with licensed banks	18,989	18,245	8,869	10,100
Bank overdrafts	(566)	(1,641)	-	-
	71,287	65,723	43,444	46,389

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

Notes to the Financial Statements

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

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

Registered office
Suite 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 year ended 31 July 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The financial statements of the Company as at and for the year ended 31 July 2011 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 6.

These financial statements were authorised for issue by the Board of Directors on 15 November 2011.

1. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
    - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
    - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011
- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012
- FRS 124, *Related Party Disclosures (revised)*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations in the respective financial years of 31 July 2012 and 2013 when the above standards, amendments and interpretations become effective.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The other standards, amendments, interpretations and improvements are either not applicable or are not expected to have any material impact on the financial statements of the Group and of the Company.

Following the announcement made by the Malaysian Accounting Standards Board on 1 August 2008, the Group's and the Company's financial statements for the year ending 31 July 2013 will be prepared in accordance with International Financial Reporting Standards Framework. The change of financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs 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 (h) (iii) - valuation of investment properties

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

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

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 August 2010 the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisition on or after 1 August 2010

For acquisitions on or after 1 August 2010, the Group measures 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.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Accounting for business combinations (cont'd)

Acquisition on or after 1 August 2010 (cont'd)

Costs related to the acquisition, 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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and / or future services.

(iii) Accounting for acquisitions of non-controlling interest

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

(iv) Loss on control

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(v) Associates

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

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

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

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

(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 comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interest's share of losses previously absorbed by the Group had been recovered.

(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 associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies (cont'd)

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 August 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

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

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

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

2. Significant accounting policies (cont'd)

(c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 August 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 August 2010, different accounting policies were applied.

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(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.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

(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(m)(i)).

Financial liabilities

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

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

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

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

(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.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(iii) Financial guarantee contracts (cont'd)

Financial guarantee contracts are classified as deferred income and are 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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

Property, plant and equipment under the revaluation model

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

Surpluses arising from revaluation are dealt with in the property 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.

2. Significant accounting policies (cont'd)

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

(i) Recognition and measurement (cont'd)

Property, plant and equipment under the revaluation model (cont'd)

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.

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively 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 part 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 part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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

2. Significant accounting policies (cont'd)

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

(iii) Depreciation (cont'd)

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

Leasehold land	30 – 55 years
Buildings	50 years
Plant and machinery	5 - 10 years
Furniture, fittings and renovation	3 - 10 years
Motor vehicles	5 years
Building improvements	5 years

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

(e) Biological assets

Biological assets are stated at cost less accumulated amortisation and any impairment losses. Biological assets comprise plantation development expenditure.

Oil palm plantation is classified as mature plantation if 70% of total plants per block are ready to be harvested with the average fresh fruit bunch weight of at least 3.5 kg or with the minimum plant age of 36 months.

(f) 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. On initial recognition of 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.

(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.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

2. Significant accounting policies (cont'd)

(f) Leased assets (cont'd)

(ii) Operating lease (cont'd)

The Group has adopted the amendment made to FRS 117, *Leases* during financial year ended 31 July 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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.

(g) Intangible assets

(i) Goodwill

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

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

(ii) Amortisation

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

(h) 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.

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.

An investment property under construction before 1 August 2010 was classified as property, plant and equipment and measured at cost. Such property is measured at cost until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

Following the amendment made to FRS 140, *Investment Property*, with effect from 1 August 2010, investment property under construction is classified as investment property. 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.

2. Significant accounting policies (cont'd)

(h) Investment properties (cont'd)

(ii) Reclassification to/from investment property

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

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

(iii) Determination of fair value

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

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

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

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

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

2. Significant accounting policies (cont'd)

(j) Receivables

Prior to 1 August 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c)(ii).

(k) Non-current assets held for sale

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

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

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.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of statement of the cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(c)(ii).

(m) 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 equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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.

2. Significant accounting policies (cont'd)

(m) Impairment (cont'd)

(i) Financial assets (cont'd)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised 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 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 is not reversed through profit or loss.

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

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset, 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 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 groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

2. Significant accounting policies (cont'd)

(m) Impairment (cont'd)

(ii) Other assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its 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 units and then to reduce the carrying amount of the other assets in the unit (groups of 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 year in which the reversals are recognised.

(n) Equity instruments

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

(i) Issue expenses

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

(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 and are presented as a deduction from total equity.

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

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

2. Significant accounting policies (cont'd)

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is 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 on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous 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 arising from 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 apply 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.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which 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 is treated as tax base of assets and is recognised as a reduction of tax expense as and when they are utilised.

(p) Revenue and other income

(i) Goods sold

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

(ii) Interest income

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

2. Significant accounting policies (cont'd)

(p) Revenue and other income (cont'd)

(iii) Dividend income

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

(iv) Rental income

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

(q) Borrowing costs

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

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

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

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

(r) Employee benefits

(i) Short-term employee benefits

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

A liability is recognized 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 year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Share-based payment transactions

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

2. Significant accounting policies (cont'd)

(r) Employee benefits (cont'd)

(iii) Share-based payment transactions (cont'd)

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

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

(s) Earnings per ordinary share

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

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

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

(t) Operating segments

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

(u) Provisions

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

Contingent liabilities

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

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 2009, restated	143,389	269,078	14,729	7,317	224	434,737
Additions	61	7,738	680	366	-	8,845
Disposals	(852)	(4,138)	(84)	(399)	-	(5,473)
Written off	-	(242)	(32)	-	-	(274)
Exchange differences	1,068	1,472	(1)	9	9	2,557
At 31 July 2010/1 August 2010, restated	143,666	273,908	15,292	7,293	233	440,392
Additions	13,583	13,690	2,021	2,536	7,529	39,359
Disposals	-	(14,058)	(100)	(937)	-	(15,095)
Written off	-	(505)	(102)	(76)	-	(683)
Exchange differences	(153)	(1,064)	(71)	(81)	(6)	(1,375)
Reclassified to assets held for sale	(1,783)	(15,130)	(54)	(735)	(227)	(17,929)
At 31 July 2011	155,313	256,841	16,986	8,000	7,529	444,669
Representing items at:						
Cost	14,076	256,841	16,986	8,000	7,529	303,432
Directors' valuation	141,237	-	-	-	-	141,237
	155,313	256,841	16,986	8,000	7,529	444,669
Accumulated depreciation						
At 1 August 2009, restated	5,038	123,470	10,637	5,043	-	144,188
Depreciation charge	3,444	23,910	1,472	964	-	29,790
Disposals	(2)	(2,380)	(81)	(360)	-	(2,823)
Written off	-	(168)	(24)	-	-	(192)
Exchange differences	32	423	(3)	17	-	469
At 31 July 2010/ 1 August 2010, restated	8,512	145,255	12,001	5,664	-	171,432
Depreciation charge	3,638	23,628	1,424	1,027	-	29,717
Disposals	-	(11,985)	(93)	(934)	-	(13,012)
Written off	-	(412)	(100)	(76)	-	(588)
Exchange differences	(24)	(359)	(53)	(32)	-	(468)
Reclassified to assets held for sale	(30)	(6,566)	(36)	(332)	-	(6,964)
At 31 July 2011	12,096	149,561	13,143	5,317	-	180,117
Carrying amounts						
At 31 July 2011	143,217	107,280	3,843	2,683	7,529	264,552
At 31 July 2010, restated	135,154	128,653	3,291	1,629	233	268,960

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

	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Capital work -in -progress RM'000	Total RM'000
Company						
At cost/valuation						
At 1 August 2009, restated	71,354	73,439	6,672	5,011	-	156,476
Transfer to subsidiaries	-	(3,795)	(7)	-	-	(3,802)
Additions	61	1,223	246	40	-	1,570
Disposals	-	-	-	(179)	-	(179)
Written off	-	(125)	(27)	-	-	(152)
At 31 July 2010/ 1 August 2010, restated	71,415	70,742	6,884	4,872	-	153,913
Transfer to subsidiaries	-	(312)	(31)	-	-	(343)
Additions	164	2,685	555	1,894	978	6,276
Disposals	-	(3,888)	-	(927)	-	(4,815)
Written off	-	(307)	(63)	(76)	-	(446)
At 31 July 2011	71,579	68,920	7,345	5,763	978	154,585
Representing items at:						
Cost	225	68,920	7,345	5,763	978	83,231
Directors' valuation	71,354	-	-	-	-	71,354
	71,579	68,920	7,345	5,763	978	154,585
Accumulated depreciation						
At 1 August 2009, restated	1,660	25,948	5,347	3,841	-	36,796
Depreciation charge	1,629	7,218	618	608	-	10,073
Transfer to subsidiaries	-	(1,442)	(6)	-	-	(1,448)
Disposals	-	-	-	(160)	-	(160)
Written off	-	(83)	(22)	-	-	(105)
At 31 July 2010/ 1 August 2010, restated	3,289	31,641	5,937	4,289	-	45,156
Depreciation charge	1,668	7,007	504	643	-	9,822
Transfer to subsidiaries	-	(184)	(31)	-	-	(215)
Disposals	-	(2,899)	-	(927)	-	(3,826)
Written off	-	(214)	(61)	(76)	-	(351)
At 31 July 2011	4,957	35,351	6,349	3,929	-	50,586
Carrying amounts						
At 31 July 2011	66,622	33,569	996	1,834	978	103,999
At 31 July 2010, restated	68,126	39,101	947	583	-	108,757

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

	Group		Company	
	2011 RM'000	**2010 RM'000 restated**	**2011 RM'000**	**2010 RM'000 restated**
Carrying amounts of land and buildings				
At valuation				
Freehold land	18,829	18,835	12,429	12,435
Long-term leasehold land	547	559	-	-
Short-term leasehold land	8,077	9,964	-	-
Buildings	102,092	105,425	54,008	55,631
At cost				
Freehold land	3,514	-	-	-
Buildings	10,158	371	185	60
	143,217	135,154	66,622	68,126

The carrying amounts of land at 1 August 2009 and 31 July 2010 have been adjusted following the adoption of the amendments to FRS 117, Leases, where leasehold land, in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment.

Revaluation

Land and buildings were revalued in the financial year ended 31 July 2008 by Directors based on independent professional valuation on the open market value basis carried out on 1 August 2008.

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

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Long term leasehold land	544	557	-	-
Short term leasehold land	4,391	6,346	162	166
Freehold land	18,220	18,060	11,717	11,717
Buildings	63,594	65,514	33,978	35,247
	86,749	90,477	45,857	47,130

Security

Certain land and buildings of the Group with a total net book value of NIL (2010: RM2,808,000) are charged to a bank for borrowings granted to the Group as disclosed in Note 17.

Leased plant and machinery

Included in property, plant and equipment of the Group and of the Company are plant and equipment acquired under finance lease arrangements with carrying amounts of RM9,369,000 (2010: RM10,637,000) and RM430,983 (2010: RM163,801) respectively. The leased equipment secures lease obligations (see Note 17).

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

Leased plant and machinery (cont'd)

Depreciation charge for property, plant and equipment is allocated as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit or loss				
- continuing operations	28,074	28,142	9,822	10,073
- discontinued operation	301	8	-	-
	28,375	28,150	9,822	10,073
Biological assets	1,342	1,640	-	-
	29,717	29,790	9,822	10,073

4. Biological assets

	Group	
	2011 RM'000	2010 RM'000
At cost		
At 1 August	37,344	32,974
Additions	4,969	3,681
Amortisation charge	(329)	-
Exchange difference	(918)	1,265
Impairment loss	(10,603)	(576)
Reclassified to assets held for sale	(30,463)	-
At 31 July	-	37,344

The biological assets are planted on a piece of land situated in Republic of Indonesia.

Impairment loss

As disclosed in Note 13, the biological assets was classified as held for sale and the arising impairment loss is recognised based on its fair value less cost to sell.

Included in the current year additions of biological assets of the Group are the following expenses capitalised:-

	2011 RM'000	2010 RM'000
Depreciation (see Note 3)	1,342	1,640
Personnel expenses (including key management personnel)	533	629
Finance costs	529	659

5. Investment properties

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 August	9,300	9,281	7,000	7,000
Changes in fair value	-	19	-	-
At 31 July	9,300	9,300	7,000	7,000

Investment properties comprise a vacant freehold land and a factory building.

The fair value is determined by the Directors by reference to the valuation conducted in July 2011 by independent professional valuers.

The following are recognised in income statements in respect of investment properties:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Rental income	268	268	-	-
Direct operating expenses				
- income generating investment properties	25	19	-	-
- non-income generating investment properties	9	10	9	10

6. Investments in subsidiaries

	Company	
	2011 RM'000	2010 RM'000
Unquoted shares - at cost	124,866	93,058
Less: Impairment losses	(10,411)	(12,407)
	114,455	80,651

The principal activities of the subsidiaries, their places of incorporation and the interest of the Company are shown below:

Name of company	*Principal activities*	*Country of incorporation*	*Effective ownership interest 2011 %*	*Effective ownership interest 2010 %*
V.S. Plus Sdn. Bhd.	Manufacturing, assembly and sale of plastic moulded components and parts, and electrical products	Malaysia	99.25	98.99
V.S. Ashin Technology Sdn. Bhd.	Property letting	Malaysia	54.40	54.40
V.S. Electronics Sdn. Bhd.	Manufacturing, assembling and sale of electronic and electrical products, components and parts	Malaysia	100	100

6. Investments in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation	Effective ownership interest 2011 %	Effective ownership interest 2010 %
V.S. Technology Sdn. Bhd.	Design and fabrication of tools and moulds	Malaysia	100	100
V.S. Logistics Sdn. Bhd.	Dormant	Malaysia	100	100
V.S. Holdings (M) Ltd#	Investment holding	Mauritius	100	100
VVS Co., Ltd.	Dormant	British Virgin Islands	87.27	87.27
PT. V.S. Technology Indonesia@	Assembling and sale of electronic products	Indonesia	100	100
PT.GY Plantation Indonesia@	Operation of an oil palm plantation	Indonesia	53	53
VS Marketing & Engineering Pte. Ltd.@	Trading of electronic components	Singapore	51	51

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

7. Investments in associates

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
At cost				
Quoted shares outside Malaysia	25,265	19,337	25,265	19,337
Unquoted shares outside Malaysia	16,623	13,680	16,623	13,680
Share of post-acquisition reserves	61,740	73,497	-	-
Less: Impairment losses	(11,651)	(10,853)	(16,623)	(13,680)
	91,977	95,661	25,265	19,337
Represented by:				
Group's share of net assets other than goodwill	91,667	95,326	-	-
Group's share of goodwill in associate's consolidated financial statements less amortisation, at carrying amount	310	335	-	-
	91,977	95,661	-	-
At market value				
Quoted shares outside Malaysia	16,205	24,463	16,205	24,463

7. Investments in associates (cont'd)

Summary financial information on the associates:

Name of company	*Country of incorporation*	*Effective ownership interest (%)*	*Revenue (100%) RM'000*	*Loss (100%) RM'000*	*Total assets (100%) RM'000*	*Total liabilities (100%) RM'000*
2011						
V.S. International Group Limited - listed on Hong Kong Stock Exchange #*	Cayman Islands	43.06	639,755	(24,928)	697,158	(482,429)
PT. VS Mining Resources @**	Indonesia	45.00	-	(1,050)	9,497	(6,675)
			639,755	(25,978)	706,655	(489,104)
2010						
V.S. International Group Limited - listed on Hong Kong Stock Exchange #*	Cayman Islands	42.91	646,207	(7,106)	762,478	(532,911)
PT. VS Mining Resources @**	Indonesia	45.00	-	(18,311)	9,825	(12,222)
			646,207	(25,417)	772,303	(545,133)

* The associate has interest in subsidiaries that are principally involved in the business of manufacturing, assembly and sale of plastic moulded products and parts, electronic products and mould design and fabrication.

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

Audited by member firm of KPMG International.

@ Audited by other firms of accountants.

8. Loans to subsidiaries

	Company 2011 RM'000	**Company 2010 RM'000**
Non-current	-	32,894
Current	28,239	-
Less: Impairment loss recognised during the year (Note 27)	(12,155)	-
	16,084	-
	Note 12	

Loan to subsidiaries are denominated in US Dollar, unsecured and interest free.

9. Loan to an associate

	Group/Company 2011 RM'000	Group/Company 2010 RM'000
Non-current	-	1,928
Current (Note 12)	1,899	2,852
	1,899	4,780

Loan to an associate is denominated in US Dollar, unsecured and interest is chargeable at 5% (2010: 5%) per annum and will be fully repayable within 12 months.

10. Deferred tax assets and liabilities

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relates to the same taxation authority. The amounts determined after appropriate offsetting are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deferred tax assets	-	(421)	-	-
Deferred tax liabilities	26,038	25,575	12,639	13,498
	26,038	25,154	12,639	13,498

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property, plant and equipment				
- capital allowances	20,678	21,214	7,755	8,452
- revaluation	8,380	8,542	5,192	5,316
Deductible temporary differences	(1,105)	(1,295)	(308)	(270)
Unabsorbed capital allowances	(1,801)	(2,963)	-	-
Unutilised tax losses	(114)	(344)	-	-
	26,038	25,154	12,639	13,498

Movement in temporary differences during the year:

Group	At 1.8.2010 RM'000	Recognised in profit or loss (Note 21) RM'000	Exchange differences RM'000	Reclassified to assets held for sale (Note 13) RM'000	At 31.7.2011 RM'000
Property, plant and equipment					
- capital allowance	21,214	(510)	(26)	-	20,678
- revaluation	8,542	(162)	-	-	8,380
Deductible temporary differences	(1,295)	(386)	13	563	(1,105)
Unabsorbed capital allowances	(2,963)	1,162	-	-	(1,801)
Unutilised tax losses	(344)	230	-	-	(114)
	25,154	334	(13)	563	26,038

10. Deferred tax assets and liabilities (cont'd)

	At 1.8.2009 RM'000	Recognised in profit or loss (Note 21) RM'000	Exchange differences RM'000	At 31.7.2010 RM'000
Property, plant and equipment				
- capital allowance	22,306	(1,119)	27	21,214
- revaluation	8,706	(164)	-	8,542
Deductible temporary differences	(1,485)	208	(18)	(1,295)
Unabsorbed capital allowances	(5,842)	2,879	-	(2,963)
Unutilised tax losses	-	(344)	-	(344)
	23,685	1,460	9	25,154

Company	At 1.8.2010 RM'000	Recognised in profit or loss (Note 21) RM'000	At 31.7.2011 RM'000
Property, plant and equipment			
- capital allowance	8,452	(697)	7,755
- revaluation	5,316	(124)	5,192
Deductible temporary differences	(270)	(38)	(308)
	13,498	(859)	12,639

	At 1.8.2009 RM'000	Recognised in profit or loss (Note 21) RM'000	At 31.7.2010 RM'000
Property, plant and equipment			
- capital allowance	9,376	(924)	8,452
- revaluation	5,441	(125)	5,316
Deductible temporary differences	(445)	175	(270)
	14,372	(874)	13,498

Unrecognised deferred tax assets

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

	Group 2011 RM'000	Group 2010 RM'000
Unutilised tax losses	12,920	16,577
Deductible temporary differences	668	668
Taxable temporary differences	(615)	(545)
	12,973	16,700

The unutilised tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which a subsidiary can utilise the benefits there from.

10. Deferred tax assets and liabilities (cont'd)

Subject to agreement by the Inland Revenue Board, the Group has an unutilised re-investment allowance and investment tax allowance of RM20,791,000 (2010: RM20,096,000) and RM8,174,000 (2010: RM8,174,000) respectively to set off against future taxable profit.

11. Inventories

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Raw materials	44,082	49,982	19,688	27,183
Work-in-progress	22,062	13,447	10,273	7,900
Finished goods	20,648	13,627	8,924	7,631
Packing materials	435	324	435	324
	87,227	77,380	39,320	43,038

The write down of inventories to net realisable value for the year amounted to NIL (2010: RM88,000).

12. Trade and other receivables

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables	186,629	178,680	119,947	126,733
Other receivables, deposits and prepayments	14,569	12,586	3,455	1,784
Due from subsidiaries				
- non-trade	-	-	3,081	23,690
- loan to subsidiaries (Note 8)	-	-	16,084	-
Due from associates				
- non-trade	153	1,703	-	771
- loan to an associate (Note 9)	1,899	2,852	1,899	2,852
	203,250	195,821	144,466	155,830

13. Assets/Liabilities classified as held for sale

On 13 July 2011, the Group entered into a Conditional Sale and Purchase of Shares Agreement with a third party to dispose its entire shareholding in a subsidiary, PT. GY Plantation Indonesia for a consideration of USD4,073,445 (equivalent to RM12,020,736). The comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

On 1 November 2011, the Group announced the completion of the disposal of PT. GY Plantation Indonesia.

13. Assets/Liabilities classified held for sale (cont'd)

As at 31 July 2011, the assets and liabilities to be disposed are as follows:

	Group 2011 RM'000
Assets classified as held for sale	
Property, plant and equipment	10,965
Biological assets	30,463
Deferred tax assets	563
Inventories	387
Trade and other receivables	403
Cash and cash equivalents	50
Assets classified as held for sale	42,831

	Group 2011 RM'000
Reserves	
Amount recognised directly in equity relating to assets held for sale	(15,525)
Liabilities classified as held for sale	
Loans and borrowings	
- non-current	104
- current	14,387
Trade and other payables	2,765
Liabilities classified as held for sale	17,256

Loss attributable to the discontinued operation are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Results of discontinued operation		
Revenue	2,175	-
Expenses	(5,776)	(1,958)
Impairment loss on biological assets	(10,603)	-
Loss before tax	(14,204)	(1,958)
Tax income	152	139
Loss for the year	(14,052)	(1,819)

The cash flows from/(used in) the discontinued operation are not significant to the Group.

14. Cash and cash equivalents

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits with licensed banks	18,989	18,245	8,869	10,100
Cash and bank balances	52,864	49,119	34,575	36,289
	71,853	67,364	43,444	46,389

15. Capital and reserves

Share capital

	Group/Company		Group/Company Number of ordinary share	
	2011 RM'000	2010 RM'000	2011 '000	2010 '000
Ordinary shares of RM1.00 each:				
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid:				
At 1 August	179,702	179,702	179,702	179,702
Share options exercised	2,625	-	2,625	-
At 31 July	182,327	179,702	182,327	179,702

Reserves

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-distributable				
Share premium	2,381	-	2,381	-
Revaluation reserve	47,518	48,353	16,440	16,815
Exchange fluctuation reserve	10,973	8,186	-	-
Capital reserve	9,121	9,121	-	-
Employee share-based reserve	3,588	513	2,914	-
Treasury shares	(985)	(516)	(985)	(516)
	72,596	65,657	20,750	16,299
Distributable				
Retained earnings	149,986	129,228	58,454	58,978
	222,582	194,885	79,204	75,277

15. Capital and reserves (cont'd)

Treasury shares

At the Annual General Meeting held on 3 January 2011, the shareholders of the Company renewed their approval for the Company to repurchase its own shares.

During the financial year, the Company repurchased in the open market a total of 341,800 (2010: 40,000) of its issued ordinary shares. The average repurchase price was RM1.37 (2010: RM1.24) per ordinary share. The total consideration paid was RM469,173 including transaction costs of RM3,408.

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 2011, a total of 753,036 (2010: 411,236) repurchased share are being held as treasury shares. The number of outstanding shares of RM1.00 each in issue after the setoff is 181,573,670 (2010: 179,290,870).

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

Revaluation reserve

Revaluation reserve represents surplus on revaluation of certain land and buildings of the Group and of the Company and its associate, 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 associates in accordance with its local regulation.

Retained earnings

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

Employee share-based reserve

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

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

Equity settled share-based transaction

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

15. Capital and reserves (cont'd)

Equity settled share-based transaction (cont'd)

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

Grant date/ employees entitled	Number of options '000	Vesting Conditions	Contractual life of options
Option granted to all employees on 19 November 2010	26,178	20% of the options issued for each calendar year	5 years

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

		Number of options over ordinary shares of RM1.00 each ('000)				
Date of offer	Exercise price RM	At 1 August 2010	Granted	Exercised	Forfeited	At 31 July 2011
19 November 2010	1.54	-	26,178	(2,625)	(2,690)	20,863

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

Fair value of share options and assumptions

	2011
Fair value at grant date	RM0.367
Share price at grant date	RM1.74
Exercise price	RM1.54
Expected volatility (weighted average volatility)	30%
Option life (expected weighted average life)	5 years
Expected dividends	5%
Risk-free interest rate (based on Malaysian Government Securities)	3.287%

Value of employee services received for issue of share options

	Group 2011 RM'000	Company 2011 RM'000
Total expense recognised as equity settled share-based transaction	3,877	2,070

16. Long term payables

	Group 2011 RM'000	Group 2010 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.

17. Loans and borrowings

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Non-current				
Secured				
Term loans	579	1,515	-	-
Finance lease liabilities	1,894	3,562	333	178
	2,473	5,077	333	178
Unsecured				
Term loans	27,036	30,748	6,521	15,490
	29,509	35,825	6,854	15,668
Current				
Secured				
Term loans	824	872	-	-
Finance lease liabilities	1,823	2,698	126	144
Short term loan	4,275	5,227	-	-
	6,922	8,797	126	144
Unsecured				
Revolving credit	10,000	25,375	10,000	10,000
Term loans	18,889	19,585	10,097	11,023
Bankers' acceptances	59,685	78,821	49,669	68,393
Bank overdraft	566	1,641	-	-
Foreign currency trust receipts	9,258	-	-	-
	98,398	125,422	69,766	89,416
	105,320	134,219	69,892	89,560
	134,829	170,044	76,746	105,228

Certain term loans of the Group are secured by fixed charges on certain plant and machinery of the subsidiary.

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 27. As at 31 July 2011 and 31 July 2010, none of the covenants relating to drawn down facilities had been breached.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2011			2010		
	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
Group						
Less than one year	1,996	173	1,823	3,033	335	2,698
Between one and five years	2,004	110	1,894	3,848	286	3,562
	4,000	283	3,717	6,881	621	6,260

17. Loans and borrowings (cont'd)

Finance lease liabilities (cont'd)

	2011			2010		
	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
Company						
Less than one year	144	18	126	158	14	144
Between one and five years	361	28	333	188	10	178
	505	46	459	346	24	322

18. Trade and other payables

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade payables	137,655	122,156	90,323	84,803
Other payables and accrued expenses	44,036	33,616	16,216	15,123
Due to subsidiaries - trade	-	-	17,457	16,914
Due to associates - trade	89	905	89	810
	181,780	156,677	124,085	117,650

Included in other payables and accrued expenses are:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property, plant and equipment's creditors	1,967	2,531	324	1,453
Sundry creditors	9,949	10,439	3,354	4,590
Accrued expenses	19,960	15,069	12,538	9,080
Progress billings to customers	12,160	5,577	-	-
	44,036	33,616	16,216	15,123

19. Finance costs

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Interest expense	5,977	5,806	3,653	3,436
Other financing cost	262	210	62	50
	6,239	6,016	3,715	3,486

20. Operating profit

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Operating profit is arrived at after charging/(crediting)				
Amortisation of biological asset	329	-	-	-
Audit fees				
- Holding company auditors	189	189	115	115
- Overseas affiliate of KPMG Malaysia	11	12	-	-
- Other auditors	63	50	-	-
Depreciation	28,375	28,150	9,822	10,073
Derivative loss	681	-	695	-
Inventories written down	-	88	-	-
Changes in fair value of investment properties	-	(19)	-	-
Gain on disposal of property, plant and equipment	(379)	(91)	(454)	(22)
Property, plant and equipment written off	95	82	95	47
Reversal of impairment loss on investments in subsidiaries	-	-	(1,996)	(882)
Impairment losses on investments in associates	798	10,853	2,943	13,680
Impairment loss on biological assets	10,603	576	-	-
Impairment losses on receivables:				
- continuing operations	319	-	12,155	-
- discontinued operation	4,216	-	-	-
Allowance for doubtful debts				
- continuing operations	-	489	-	-
- discontinued operation	-	2,505	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	5,641	4,863	3,104	2,754
- Wages, salaries and others	131,992	100,235	63,680	49,381
- Equity settled share-based transaction	3,877	-	2,070	-
Rental of premises	2,509	1,378	1,881	1,105
Unrealised loss on foreign exchange	1,616	702	2,226	3,276
Bad debts recovered	(1)	(15)	-	(364)
Interest income				
- Deposits	(634)	(357)	(383)	(195)
- Associate	(122)	(243)	(122)	(243)
Realised gain on foreign exchange	(1,322)	(1,882)	(2,639)	(3,796)
Rental income	(446)	(373)	(60)	(74)

20. Operating profit (cont'd)

Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Directors				
- Fees	412	388	412	388
- Remuneration	14,383	11,672	12,918	10,555
- Contributions to Employees Provident Fund	746	723	746	723
Total short-term employee benefits	15,541	12,783	14,076	11,666
Other key management personnel:				
- Wages, salaries and others	3,008	2,874	512	473
- Contributions to Employees Provident Fund	165	147	61	57
- Other short term employee benefits	31	31	7	7
- Equity settled share-based transaction	407	-	64	-
	3,611	3,052	644	537
	19,152	15,835	14,720	12,203

The estimated monetary value of Directors' benefit-in-kind of the Group/Company is RM135,000 (2010: RM112,000).

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.

21. Income tax expense

Recognised in the profit or loss

Major components of income tax expense include:

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Current tax expense				
- Malaysian tax				
- Current year	13,635	11,464	12,303	11,311
- Prior years	(310)	(857)	(278)	(897)
- Overseas tax				
- Current year	2,128	1,221	-	-
- Prior years	(64)	-	-	-
	15,389	11,828	12,025	10,414
Deferred tax expense/(income)				
- Malaysian tax				
- Origination and reversal of temporary differences	907	2,103	(254)	(315)
- Prior years	(511)	(952)	(605)	(559)
- Overseas tax				
- Origination of temporary differences	90	448	-	-
	486	1,599	(859)	(874)
Total tax expense recognised in the income statement	15,875	13,427	11,166	9,540
Tax expense on share of profit of an associate	3,679	601	-	-
Discontinued operation				
- Reversal of temporary differences	(152)	(139)	-	-
Total tax expense	19,402	13,889	11,166	9,540

	RM'000	RM'000	RM'000	RM'000
Reconciliation of effective tax expense				
Profit for the year	21,436	23,531	19,052	16,438
Total tax expense	19,402	13,889	11,166	9,540
Profit before tax	40,838	37,420	30,218	25,978
Income tax calculated using Malaysian tax rate of 25%	10,210	9,355	7,555	6,495
Effect of different tax rates in foreign jurisdictions	(29)	1,455	-	-
Deferred tax assets not recognised:				
- associate	4,843	15	-	-
- subsidiaries	(478)	(406)	-	-
Non-deductible expenses	7,934	5,871	4,906	4,730
Tax exempt income	(126)	(83)	(30)	(61)
Tax incentives	(1,329)	(706)	(382)	(168)
Others	(738)	197	-	-
	20,287	15,698	12,049	10,996
Over provided in prior years	(885)	(1,809)	(883)	(1,456)
Total tax expense	19,402	13,889	11,166	9,540

22. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 July 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

Profit attributable to ordinary shareholders:

	2011			2010		
	Continuing operations RM'000	**Discontinued operation RM'000**	**Total RM'000**	**Continuing operations RM'000**	**Discontinued operation RM'000**	**Total RM'000**
Group						
Profit for the year attributable to owners	35,280	(7,559)	27,721	25,254	(964)	24,290

Weighted average number of ordinary shares:

	2011 '000	**2010 '000**
Issued ordinary shares after deducting treasury shares at 1 August	179,291	179,702
Effect of shares repurchased	(293)	(377)
Effect of ordinary shares issued	1,663	-
Weighted average number of ordinary shares at 31 July	180,661	179,325
Basic earnings per ordinary share (sen)		
- From continuing operations	19.53	14.08
- From discontinued operation	(4.19)	(0.54)
	15.34	13.54

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 July 2011 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Profit attributable to ordinary shareholders (diluted):

	2011			2010		
	Continuing operations RM'000	**Discontinued operation RM'000**	**Total RM'000**	**Continuing operations RM'000**	**Discontinued operation RM'000**	**Total RM'000**
Group						
Profit attributable to ordinary shareholders (diluted)	35,280	(7,559)	27,721	25,254	(964)	24,290

22. Earnings per ordinary share (cont'd)

Diluted earnings per ordinary share (cont'd)

Weighted average number of ordinary shares (diluted):

	2011 '000	2010 '000
Weighted average number of ordinary shares (basic)	180,661	-
Effect of share options in issue	3,188	-
Weighted average number of ordinary shares (diluted) at 31 July	183,849	-
Diluted earnings per ordinary share (sen)		
- From continuing operations	19.19	-
- From discontinued operation	(4.11)	-
	15.08	-

23. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2011			
2010 - Final, single tier	5.0	9,061	24 January 2011
2011 - First interim, single tier	2.0	3,629	28 February 2011
2011 - Second interim, single tier	2.5	4,537	5 May 2011
2011 - Third interim, single tier	1.5	2,724	29 July 2011
		19,951	
2010			
2009 - Final, tax exempt	1.3	2,331	22 January 2010
2010 - Interim, single tier	1.5	2,690	30 April 2010
		5,021	

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

	Sen per share	Total amount RM'000	Date of payment
2011 – Fourth interim, single tier	3.0	5,447	28 October 2011

24. Acquisition of assets

i) Acquisition of property, plant and equipment represents:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current year additions	39,359	8,845	6,276	1,570
Less: Amount financed by:				
- Finance lease liabilities	(282)	(947)	(282)	-
- Amount under credit term	(1,967)	(2,531)	(324)	(1,453)
Add: Payment in respect of previous year's purchase of property, plant and equipment	2,531	13,170	1,453	12,480
	39,641	18,537	7,123	12,597

ii) Acquisition of biological assets represents:

	Group	
	2011 RM'000	2010 RM'000
Current year additions	4,969	3,681
Less: Depreciation capitalised	(1,342)	(1,640)
	3,627	2,041

25. Operating segments

Group

The Group's main business activities comprise the investment holding and manufacturing, assembling and sale of electronic and electrical products and plastic moulded components and parts, are principally located in Malaysia, Indonesia and two other locations. 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.

25. Operating segments (cont'd)

	Malaysia		Indonesia		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Segment profit	70,913	77,512	11,326	(2,730)	82,239	74,782
Included in the measure of segment profit are:						
Revenue from external customers	916,034	716,290	92,933	65,924	1,008,967	782,214
Inter-segment revenue	3,516	2,845	-	-	3,516	2,845
Share of loss of associates	-	-	-	(599)	-	(599)
Not included in the measure of segment profit but provided to Managing Director						
Depreciation and amortisation	(24,674)	(25,068)	(3,216)	(2,876)	(27,890)	(27,944)
Finance costs	(5,638)	(5,422)	(510)	(544)	(6,148)	(5,966)
Interest income	745	587	11	12	756	599
Income tax expense	(13,720)	(11,758)	(2,155)	(1,669)	(15,875)	(13,427)
Segment assets	630,059	608,030	56,721	52,950	686,780	660,980
Included in the measure of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets	36,016	3,397	2,987	8,775	39,003	12,172
Segment liabilities	322,600	314,549	29,869	32,781	352,469	347,330

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

	2011 RM'000	2010 RM'000
Profit		
Total profit for reportable segments	82,239	74,782
Other non-reportable segments	694	322
Elimination of inter-segment profits	12,478	280
Depreciation and amortisation	(28,074)	(28,142)
Finance costs	(6,239)	(6,016)
Interest income	756	600
Share of loss of associates not included in reportable segments	(10,491)	(3,049)
Consolidated profit before tax and discontinued operation	51,363	38,777

25. Operating segments (cont'd)

	External revenue RM'000	Deprecia-tion RM'000	Finance costs RM'000	Interest income RM'000	Segment assets RM'000	Investment in associates RM'000	Additions to non-current assets RM'000	Segment liabilities RM'000
2011								
Total reportable segments	1,008,967	(27,890)	(6,148)	756	686,780	-	39,003	352,469
Other non-reportable segments	17,851	(184)	(91)	-	31,993	-	153	29,838
Components not monitored by managing director	-	-	-	-	66,712	91,977	-	-
Elimination of inter-segment transaction or balances	-	-	-	-	(57,326)	-	-	(31,569)
Discontinued operation	-	(301)	-	-	42,831	-	5,172	17,256
Consolidated total	1,026,818	(28,375)	(6,239)	756	770,990	91,977	44,328	367,994
2010								
Total reportable segments	782,214	(27,944)	(5,966)	599	660,980	-	12,172	347,330
Other non-reportable segments	17,956	(198)	(50)	-	32,888	-	42	31,393
Components not monitored by managing director	-	-	-	-	78,469	95,661	-	-
Elimination of inter-segment transaction or balances	-	-	-	-	(75,331)	-	-	(36,421)
Discontinued operation	-	(8)	-	1	57,173	-	312	18,048
Consolidated total	800,170	(28,150)	(6,016)	600	754,179	95,661	12,526	360,350

Revenue by geographical location of customers:

	2011 RM'000	2010 RM'000
Malaysia	830,219	642,411
Indonesia	89,554	48,817
United Kingdom	30,901	30,702
Others	76,144	78,240
Total revenue	1,026,818	800,170

25. Operating segments (cont'd)

Major customers

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

	Revenue		Segment
	2011 RM'000	2010 RM'000	
A customer	659,566	488,829	Malaysia

26. Contingencies (unsecured)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(i) Corporate guarantees given to financial institutions in respect of outstanding term loans and banking facilities of subsidiaries	-	-	70,839	64,202
(ii) Claim by a third party on land used by a subsidiary for planting of biological assets^	32,108	39,031	-	-

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

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

PTGY has appealed to the relevant government authorities to resolve the above matter and the Directors were of the opinion that the Company would be able to obtain a favourable outcome to the appeal.

During the year, the Group entered into a Conditional Sale and Purchase of Shares agreement with a third party to dispose its entire shareholding in PTGY (see Note 13).

27. Financial instruments

Certain comparative figures have not been presented for 31 July 2010 by virtue of the exemption given in paragraph 44AA of FRS 7.

27.1 Categories of financial instruments

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

(a) Loans and receivables (L&R);
(b) Fair value through profit or loss (FVTPL):
- Held for trading (HFT); and
(c) Other financial liabilities measured at amortised cost (OL).

	Carrying amount RM'000	L&R RM'000	OL RM'000
2011			
Financial assets			
Group			
Trade and other receivables	203,250	203,250	-
Cash and cash equivalents	71,853	71,853	-
	275,103	275,103	-
Company			
Trade and other receivables	144,466	144,466	-
Cash and cash equivalents	43,444	43,444	-
	187,910	187,910	-
2011			
Financial liabilities			
Group			
Loans and borrowings	134,829	-	134,829
Trade and other payables, including derivative	169,620	-	169,620
Long term payables	4,322	-	4,322
	308,771	-	308,771
Company			
Loans and borrowings	76,746	-	76,746
Trade and other payables, including derivative	124,085	-	124,085
	200,831	-	200,831

27. Financial instruments (cont'd)

27.2 Net gains and losses arising from financial instruments

	Group 2011 RM'000	Company 2011 RM'000
Net losses arising on:		
Fair value through profit or loss:		
- Held for trading	(681)	(695)
Loans and receivables	(4,073)	(11,237)
Financial liabilities measured at amortised cost	(6,239)	(3,715)
	(10,993)	(15,647)

27.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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 receivables from customers and fixed deposits placements with licensed banks. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, associates 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

At balance sheet date, the Group and the Company have significant concentration of credit risk arising from amounts due from two major customers, representing 62% and 90% (2010: 66% and 92%) of the Group's and of the Company's trade receivable respectively.

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

Management 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.

27. Financial instruments (cont'd)

Credit risk (cont'd)

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

	Group 2011 RM'000	Company 2011 RM'000
Domestic	138,739	119,947
Indonesia	24,699	-
Singapore	6,632	-
United Kingdom	5,268	-
Others	12,376	-
	187,714	119,947

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2011			
Not past due	164,534	-	164,534
Past due 1 - 30 days	17,662	-	17,662
Past due 31 - 60 days	1,993	-	1,993
Past due 61 - 90 days	3,021	(592)	2,429
Past due more than 90 days	504	(493)	11
	187,714	(1,085)	186,629

Company	Gross RM'000	Individual impairment RM'000	Net RM'000
2011			
Not past due	118,500	-	118,500
Past due 1 - 30 days	1,419	-	1,419
Past due 31 - 60 days	22	-	22
Past due 61 - 90 days	-	-	-
Past due more than 90 days	6	-	6
	119,947	-	119,947

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

	Group 2011 RM'000	Company 2011 RM'000
At 1 August (upon adoption of FRS 139)	797	-
Impairment loss recognised	319	-
Impairment loss written off	(31)	-
At 31 July	1,085	-

27. Financial instruments (cont'd)

Credit risk (cont'd)

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 additional allowance is required to be made, the Group considers financial background of the customers, past transactions and other specific reasons causing these 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 RM70.8 million representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

Inter company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

	Company 2011 RM'000
Impairment loss recognised in current year/ As at 31 July (refer Note 8)	12,155

27. Financial instruments (cont'd)

Liquidity risk

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

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

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**
2011							
Non-derivative financial liabilities							
Secured finance lease liabilities	3,717	2.50 – 5.70	3,966	1,981	1,467	452	66
Secured term loans	5,678	6.50 – 7.50	5,899	5,305	594	-	-
Unsecured term loans	45,925	4.05 – 4.71	49,396	20,364	14,005	12,583	2,444
Unsecured trust receipts	9,258	1.08	9,258	9,258	-	-	-
Unsecured revolving credit	10,000	4.56	10,000	10,000	-	-	-
Unsecured banker's acceptances	59,685	1.21 – 4.21	59,685	59,685	-	-	-
Unsecured bank overdrafts	566	7.45	566	566	-	-	-
Due to Directors	4,322		4,322	-	-	-	4,322
Trade and other payables	169,620		169,620	169,620	-	-	-
	308,771		312,712	276,779	16,066	13,035	6,832

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**
2011							
Non-derivative financial liabilities							
Unsecured bankers' acceptances	49,669	1.21 – 4.21	49,669	49,669	-	-	-
Unsecured revolving credit	10,000	4.56	10,000	10,000	-	-	-
Unsecured term loans	16,618	4.05 – 6.05	17,534	10,642	4,247	2,645	-
Finance lease liabilities	459	2.50 – 3.57	504	144	144	150	66
Trade and other payables	124,085		124,085	124,085	-	-	-
	200,831		201,792	194,540	4,391	2,795	66

27. Financial instruments (cont'd)

Market risk

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

Currency risk

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

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

Risk management objectives, policies and processes for managing the risk

The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one month after the end of the reporting period. However, the usage of forward exchange contracts are not extensive.

Exposure to foreign currency risk

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

	Denominated in USD	
	Group	**Company**
2011	**RM'000**	**RM'000**
Trade and other receivables	77,175	20,263
Cash and cash equivalents	9,813	144
Trade and other payables	(53,357)	(24,892)
Unsecured trust receipts	(9,258)	-
Secured term loans	(5,678)	-
Secured finance lease liabilities	(667)	-
	18,028	(4,485)
2010		
Trade and other receivables	42,976	6,101
Cash and cash equivalents	8,264	1,507
Trade and other payables	(54,848)	(30,936)
Secured term loans	(7,614)	-
Secured finance lease liabilities	(1,938)	-
Unsecured revolving credit	(15,375)	-
	(28,535)	(23,328)

Currency risk sensitivity analysis

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

27. Financial instruments (cont'd)

Market risk (cont'd)

Exposure to foreign currency risk (cont'd)

A 10% strengthening of the RM against the following currency at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Denominated in USD	
	Group	**Company**
2011	**RM'000**	**RM'000**
Profit or loss	1,352	532

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

Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	20,888	23,025	10,768	14,880
Financial liabilities	(85,126)	(130,506)	(62,704)	(84,538)
	(64,238)	(107,481)	(51,936)	(69,658)
Floating rate instruments				
Financial liabilities	(49,703)	(39,538)	(14,042)	(20,690)

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.

27. Financial instruments (cont'd)

Market risk (cont'd)

(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 RM373,000 and RM105,000 respectively. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

Fair value of financial instruments

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

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

The carrying amount of the forward foreign exchange contract approximates its fair value due to the relatively short term nature of the financial instrument, with terms less than 1 month.

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

	2011		2010	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets				
Loan to an associate	1,899	1,899	4,780	4,333
Financial liabilities				
Unsecured term loans	3,975	3,906	15,664	14,710
Secured finance lease liabilities	3,717	3,664	5,419	5,655
Company				
Financial assets				
Loan to an associate	1,899	1,899	4,780	4,333
Financial liabilities				
Unsecured term loans	2,574	2,574	14,263	13,378
Secured finance lease liabilities	459	469	322	329

27. Financial instruments (cont'd)

Fair value of financial instruments (cont'd)

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

Non-derivative financial liabilities

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

Interest rates used to determine fair value

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

	Group		Company	
Group	**2011** **%**	**2010** **%**	**2011** **%**	**2010** **%**
Loan to an associate	-	7.30	-	7.30
Unsecured term loans	7.30	7.30	-	7.30
Secured finance lease liabilities	2.60 - 7.20	2.60 - 7.20	2.60	2.60

28. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants.

The debt-to-equity ratios at 31 July 2011 and 2010 were as follows:

	2011 **RM'000**	**2010** **RM'000**
Total loans and borrowings (Note 17)	134,829	170,044
Less: Cash and cash equivalent (Note 14)	(71,853)	(67,364)
Net debt	62,976	102,680
Total equity	389,384	374,587
Debt-to-equity ratio	0.16	0.27

29. Capital commitment

	Group	
	2011 **RM'000**	**2010** **RM'000**
Property, plant and equipment		
Contracted but not provided for	6,266	-

30. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to 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 or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group and of the Company, other than key management personnel compensation (see Note 20), are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Subsidiaries				
Sales	-	-	380	451
Sale of property, plant and equipment	-	-	128	2,354
Purchases	-	-	110,817	89,248
Loan to subsidiaries	-	-	1,237	2,808
Rental expense	-	-	447	-
Associates				
Sales	-	41	-	-
Sales of property, plant and equipment	42	-	-	-
Purchases	1,011	1,174	277	1,078
Interest income	122	243	122	243
Sales commission income	671	873	-	-
A company in which is wholly-owned by close family member of certain Directors				
Purchases of tooling	2,007	936	-	-
A company in which certain Directors have substantial financial interest				
Rental expense	233	233	233	233
Companies in which a major shareholder has financial interest				
Purchases	6,649	5,278	1	19
Outstanding balances	1,217	1,033	-	-
Remuneration paid to staff who are close family member of certain Directors	615	548	194	155

31. Significant changes in accounting policies

31.1 FRS 101, *Presentation of Financial Statements (revised)*

The Group applies FRS 101 (revised) which became effective as of 1 August 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard.

31.2 FRS 117, *Leases*

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the earnings per share for the current and prior periods.

31.3 FRS 139, *Financial Instruments: Recognition and Measurement*

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables 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.

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance to the transitional provisions of FRS 139 for first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial year were recognised as adjustments of the opening balance of retained earnings as follows:

	RM'000
Retained earnings brought forward	129,228
Reversal of allowance for doubtful debts	(797)
Impairment losses on adoption of FRS 139	797
	129,228

Consequently, the adoption of FRS 139 does not affect the earnings per share for prior periods.

31.4 FRS 127, *Consolidated and Separate Financial Statements (revised)*

The adoption of FRS127 (revised) has resulted in the following changes to accounting policies:-

Non-controlling interests

Prior to the adoption of FRS127 (revised), where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interest's share of losses previously absorbed by the Group had been recovered.

31. Significant changes in accounting policies (cont'd)

31.4 FRS 127, *Consolidated and Separate Financial Statements (revised)(cont'd)*

Non-controlling interests (cont'd)

With the adoption of FRS127 (revised), where losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on current period earnings per share.

Loss on control

Prior to the adoption of FRS127 (revised), upon the loss on control of a subsidiary, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

With the adoption of FRS127 (revised), upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

The adoption of FRS 127 (revised) in accordance with the transitional provisions provided by the standard does not have impact on current period earnings per share.

32. Comparative figures

Following the adoption of the amendment to FRS 117, certain comparatives have been re-presented as follows:

	At 31 July 2010		At 1 August 2009	
Group	**As restated RM'000**	**As previously stated RM'000**	**As restated RM'000**	**As previously stated RM'000**
Property, plant and equipment	268,960	258,003	290,549	279,471
Prepaid lease payments	-	10,957	-	11,078
Company				
Property, plant and equipment	108,757	108,322	119,680	119,238
Prepaid lease payments	-	435	-	442

A third statement of financial position is not presented as the effect of the reclassification is not considered to be material to the Group/Company.

33. Supplementary information on the breakdown of realised and unrealised profits or losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 July 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group RM'000	Company RM'000
Total retained earnings of the Company and its subsidiaries:		
- realised	101,869	68,127
- unrealised	(20,035)	(9,673)
	81,834	58,454
Total retained earnings from associates		
- realised	31,522	-
- unrealised	(2,847)	-
	28,675	-
	110,509	58,454
Add: Consolidation adjustments	39,477	-
Total retained earnings	149,986	58,454

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 Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

List of Properties

Beneficial Owner(s)	Land Area (Acres)	Built-up Area (Sq.Ft.)	Existing Use	Tenure/(Approximate Age of Building)	Net Book Value as at 31 July 2011 RM'000	Date of Last Revaluation(R) / Acquisition(A)
V.S. INDUSTRY BERHAD PTB 11133 72, 72A-B, Jalan Padi 1 Tampoi Commercial Centre Bandar Baru Uda 81200 Tampoi, Johor Bahru Johor Darul Takzim	0.04	4,994	Rented out (3-storey shop office)	Freehold (19 years)	611	1-Aug-08 (R)
Lot 17650 & 17651 Batu 12 1/2, Sungai Lunchoo Masai Johor Darul Takzim	10.71	-	Two (2) adjoining parcels of vacant industrial land	Freehold	7,000	1-Aug-08 (R)
PTD 42659 & 42660 Senai Industrial Estate (Phase III) 81400 Senai Johor Darul Takzim	2.28	70,680	Two (2) blocks of 5-storey hostel	Leasehold for 99 years expiring on 07/09/2094 (15 years)	3,961	1-Aug-08 (R)
PTD 102246, Jalan Murni 12 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	12.26	462,101	Factory/ office (2-storey)	Freehold (5-8 years)	59,971	1-Aug-08 (R)
PTD 86366, Jalan Murni 8 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	1.76	-	Parking lot	Freehold	1,740	1-Aug-08 (R)
Lot 46967 51, Jalan Mewah Utama 1/4 Bandar Putra 81000 Kulai Johor Darul Takzim	-	1,991	Hostel (cluster home)	Freehold (3 years)	339	1-Aug-08 (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 2011 RM'000	Date of Last Revaluation(R) / Acquisition(A)
V.S. PLUS SDN. BHD.						
PTD 8823 - PLO 39 Jalan Perindustrian 4 Senai Industrial Estate (Phase II) 81400 Senai Johor Darul Takzim	3.31	275,384	Factory/ office (4-storey)	Leasehold for 60 years expiring on 01/06/2051 (19 years)	18,746	1-Aug-08 (R)
PTD 8811 - PLO 46 Jalan Perindustrian 1 Senai Industrial Estate (Phase II) 81400 Senai Johor Darul Takzim	1.55	54,807	Warehouse (2-storey)	Leasehold for 60 years expiring on 14/05/2050 (18 years)	3,930	1-Aug-08 (R)
PTD 65013 - PLO 129 Jalan Cyber 5 Senai Industrial Estate (Phase III) 81400 Senai Johor Darul Takzim	1.00	27,226	Factory/ office (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 23/11/2059 (14 years)	2,536	1-Aug-08 (R)
PTD 65018 - PLO 116 Jalan Cyber 5 Senai Industrial Estate (Phase III) 81400 Senai Johor Darul Takzim	0.75	31,554	Warehouse (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 23/11/2059 (14 years)	2,879	1-Aug-08 (R)
Lot 65017 - PLO 174 Jalan Cyber 5 Senai Industrial Estate (Phase III) 81400 Senai Johor Darul Takzim	1.00	20,788	Factory (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 13/02/2060 (14 years)	2,375	1-Aug-08 (R)
PTD 102902 Jalan Murni 8 Taman Perindustrian Murni 81400 Senai Johor Darul Takzim	8.19	-	One (1) parcel of vacant industrial land	Freehold	6,400	1-Aug-08 (R)
Lot 214, Jalan Seelong Senai, 81400 Senai Johor Darul Takzim	6.14	222,759	Factory/ office (2-storey)	Freehold (1 year)	13,187	20-Oct-10 (A)

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 2011 RM'000	Date of Last Revaluation(R) / Acquisition(A)
V.S. ELECTRONICS SDN. BHD.						
PTD 8816 - PLO 47 Jalan Perindustrian 1 Senai Industrial Estate (Phase II) 81400 Senai Johor Darul Takzim	3.30	173,856	Factory/ office (5-storey)	Leasehold for 60 years expiring on 14/05/2050 (15 years)	18,306	1-Aug-08 (R)
V.S. TECHNOLOGY SDN. BHD.						
PTD 8799 - PLO 7 Jalan Perindustrian Senai Industrial Estate (Phase I) 81400 Senai Johor Darul Takzim	1.19	55,640	Factory/ office (2-storey)	Leasehold for 60 years expiring on 11/02/2047 (24 years)	4,502	1-Aug-08 (R)
V.S. ASHIN TECHNOLOGY SDN. BHD.						
PTD 86566- PLO 121 Jalan Cyber 5 Senai Industrial Estate (Phase III) 81400 Senai Johor Darul Takzim	1.00	27,900	Rented out (1-storey with mezzanine floor)	Leasehold for 60 years expiring on 15/06/2064 (11 years)	2,847	1-Aug-08 (R)
PT. V. S. TECHNOLOGY INDONESIA						
Jl. Jababeka IV E Blok V 78K Kawasan Industri Jababeka Cikarang Pasirgombong Lemahabang Bekasi 17550 Indonesia	0.7	53,583	Factory/ office (2-storey)	Leasehold for 30 years expiring on 24/09/2023 (9 years)	3,187	1-Aug-08 (R)

Analysis of Shareholdings

As at 15 November 2011

Authorised Share Capital	:	RM500,000,000
Issued and Fully Paid-Up Capital	:	RM182,326,706
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per ordinary share
No. of Shareholders	:	4,067

Distribution of Shareholdings

Range of Shares	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
1 - 99	341	8.39	15,508	0.01
100 - 1,000	337	8.29	184,266	0.10
1,001 - 10,000	2,476	60.95	9,837,357	5.40
10,001 - 100,000	781	19.20	19,545,881	10.72
100,001 - 9,070,702	125	3.07	92,801,485	50.90
9,070,703 and above	4	0.10	59,942,209	32.87
Total	4,067	100.00	182,326,706	100.00

List of Top 30 Shareholders as at 15 November 2011
(as shown in the Record of Depositors)

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
1.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An For OCBC Securities Private Limited (Client A/C-NR)*	18,773,550	10.30
2.	Beh Kim Ling	18,120,931	9.94
3.	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Beh Kim Ling (MBB HK-240577)*	13,485,228	7.40
4.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank For Gan Chu Cheng (Retail Banking)*	9,562,500	5.24
5.	Lembaga Tabung Haji	8,512,315	4.67
6.	Gan Sem Yam	7,527,688	4.13
7.	HSBC Nominees (Tempatan) Sdn Bhd *Exempt AN For BNP Paribas Wealth Management Singapore Branch (Local)*	7,218,540	3.96
8.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Gan Chu Cheng*	6,944,045	3.81
9.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Gan Sem Yam*	5,525,850	3.03
10.	Gan Tiong Sia	4,889,686	2.68
11.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank For Gan Tong Chuan (SFD)*	4,150,125	2.28
12.	Chin Chin Seong	2,442,000	1.34
13.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank For Kuah Hun Liang (MY0271)*	2,228,136	1.22

Analysis of Shareholdings (Cont'd)

As at 15 November 2011

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
14.	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Gan Tong Chuan (MBB HK-280356)*	2,069,931	1.14
15.	Ng Ang Lim	1,620,106	0.89
16.	Gan Chong Thai @ Gan To	1,435,250	0.79
17.	Gan Swu Kim	1,423,468	0.78
18.	Citigroup Nominees (Asing) Sdn Bhd *CBNY For Dimensional Emerging Markets Value Fund*	1,337,193	0.73
19.	Cheng Kin Yin	1,264,800	0.69
20.	V.S. Industry Berhad - Share Buy Back Account	912, 636	0.50
21.	Lee Ah Kean	898,629	0.49
22.	Tan Kuan Teck	812,322	0.44
23.	Gan Siew Tiam	792,611	0.43
24.	Ling Chong Aai	741,080	0.41
25.	Lee Sau Kwang	701,887	0.38
26.	Gan Chong Thai @ Gan To	688,500	0.38
27.	Kim Poh Holdings Sdn Bhd	669,375	0.37
28.	Gan Chu Cheng	655,055	0.36
29.	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account – AmBank (M) Berhad for Chin Fah (SMART)*	645,417	0.35
30.	AmBank (M)Berhad *Pledged Securities Account For Seow Gek Hong (SMART)*	645,260	0.35
	Total	126,694,114	69.48

List of Substantial Shareholders as at 15 November 2011
(as shown in the Register of Substantial Shareholders)

No.	Name of Substantial Shareholders	Interests in Shares Direct	Interests in Shares Deemed	Note	Percentage (%)
1.	Beh Kim Ling	31,606,159	24,516,315	(a)	30.94
2.	Gan Chu Cheng	24,380,140	31,742,334	(b)	30.94
3.	Gan Sem Yam	13,053,538	525,000	(c)	7.48
4.	Ling Sok Mooi	525,000	13,053,538	(d)	7.48
5.	Inabata & Co., Ltd	-	18,742,500	(e)	10.33

Directors' Interests in Shares as at 15 November 2011

No.	Name of Directors	Interests in Shares Direct	Deemed	Note	Percentage (%)
A.	**In the Company**				
	Beh Kim Ling	31,606,159	24,516,315	(a)	30.94
	Gan Chu Cheng	24,380,140	31,742,334	(b)	30.94
	Gan Sem Yam	13,053,538	525,000	(c)	7.48
	Gan Tiong Sia	4,889,686	21,420	(f)	2.71
	Ng Yong Kang	166,775	-		0.09
	Dato' Sri Mohd Nadzmi Bin Mohd Salleh	-	-		-
	Pan Swee Keat	20,000	-		0.01
	Tang Sim Cheow	20,000	-		0.01
	Chang Tian Kwang (Alternate Director to Gan Chu Cheng)	140,000	-		0.08
B.	**In Related Corporations**				
(i)	**VVS Co., Ltd. (Ordinary shares of HKD1.00 each)**				
	Beh Kim Ling	3,182	90,454	(a) & (g)	93.64
	Gan Chu Cheng	3,182	90,454	(b) & (g)	93.64
	Gan Sem Yam	3,182	-		3.18
	Gan Tiong Sia	3,182	-		3.18
(ii)	**V.S. Ashin Technology Sdn. Bhd. (Ordinary shares of RM1.00 each)**				
	Beh Kim Ling	-	4,480,000	(a) & (g)	64.00
	Gan Chu Cheng	672,000	3,808,000	(g)	64.00
	Gan Sem Yam	746,667	-		10.67
(iii)	**V.S. Plus Sdn. Bhd. (Ordinary shares of RM1.00 each)**				
	Beh Kim Ling	-	49,625,000	(g)	99.25
	Gan Chu Cheng	-	49,625,000	(g)	99.25
(iv)	**VS Marketing & Engineering Pte. Ltd. (Ordinary shares of SGD1.00 each)**				
	Beh Kim Ling	-	102,000	(g)	51.00
	Gan Chu Cheng	-	102,000	(g)	51.00

Note:
(a) By virtue of the shareholdings of his spouse, Madam Gan Chu Cheng and his daughter, Miss Beh Hwee Lee.
(b) By virtue of the shareholdings of her spouse, Mr. Beh Kim Ling and her daughter, Miss Beh Hwee Lee.
(c) By virtue of the shareholdings of his spouse, Madam Ling Sok Mooi.
(d) By virtue of the shareholdings of her spouse, Mr. Gan Sem Yam.
(e) By virtue of its substantial shareholdings in Inabata Sangyo (H.K.) Ltd. and Inabata Singapore (Pte.) Ltd.
(f) By virtue of the shareholdings of his spouse, Madam Loi Hui Hong.
(g) By virtue of his/her substantial shareholdings in V.S. Industry Berhad.

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
Senai Industrial Estate (Phase III)
81400 Senai
Johor Darul Takzim
Tel No : 07-598 3000
Fax No : 07-598 2000

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

PLO 39, Jalan Perindustrian 4
Senai Industrial Estate (Phase II)
81400 Senai
Johor Darul Takzim
Tel No : 07-599 4199
Fax No : 07-599 5845

V.S. Electronics Sdn. Bhd.
PLO 47, Jalan Perindustrian 1
Senai Industrial Estate (Phase 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
Senai Industrial Estate (Phase I)
81400 Senai
Johor Darul Takzim
Tel No : 07-599 5050
Fax No : 07-599 1752

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

INDONESIA
PT. V.S. Technology Indonesia
Jl. Jababeka IV E Blok V 78 K
Kawasan Industri Jababeka Cikarang
Pasirgombong Lemahabang Bekasi
17550 Indonesia
Tel No : 62-218 9110 879
Fax No : 62-218 9110 880

Corporate Directory (Cont'd)

SINGAPORE
VS Marketing & Engineering Pte. Ltd.
30, Toh Guan Road
#08-02, ODC Districentre
Singapore 608840
Tel No : 65-6352 9969
Fax No : 65-6352 9979

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

BRITISH VIRGIN ISLANDS
VVS Co., Ltd.
Registered Office
P.O. Box 957, Offshore Incorporations Centre
Road Town
Tortola
British Virgin Islands

ASSOCIATES
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 : 852-2511 9002
Fax No : 852-2511 9880

INDONESIA
PT. VS Mining Resources
Jl. Jababeka IV E Blok V 78K
Kawasan Industri Jababeka Cikarang
Pasirgombong Lemahabang Bekasi
17550 Indonesia
Tel No : 62-218 9110 879
Fax No : 62-218 9110 880

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 Twenty-Ninth Annual General Meeting of the Company to be held at Perwira 1, Le Grandeur Palm Resort Johor, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor on Tuesday, 3 January 2012 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	Adoption of Audited Financial Statements for the financial year ended 31 July 2011 together with the Directors' and Auditors' reports thereon		
2	Approval of Directors' fees		
3	Re-election of Dato' Sri Mohd Nadzmi Bin Mohd Salleh retiring in accordance with Article 93 of the Company's Articles of Association		
4	Re-election of Mdm Gan Chu Cheng retiring in accordance with Article 93 of the Company's Articles of Association		
5	Re-election of Mr Ng Yong Kang retiring in accordance with Article 93 of the Company's Articles of Association		
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 Beh Kim Ling, Gan Sem Yam, Beh Chu Hiok and Gan Siew Tang		
10	Renewal of Shareholders' Mandate for RRPTs with V.S. International Group Limited, its subsidiaries and associates		
11	Renewal of Shareholders' Mandate for RRPTs with Firstclass Returns Sdn Bhd		
12	Renewal of Shareholders' Mandate for RRPTs with Lip Sheng International Ltd		
13	Renewal of Shareholders' Mandate for RRPTs with Inabata & Co., Ltd and its subsidiaries		

Signed this ________ day of ________ 2011/2012

Number of ordinary shares held

____
Signature of Member(s)

NOTES:

i. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy 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.

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.

iv. 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.

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

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