

V.S. Industry Berhad

(Company No. 88160-P)
(Incorporated in Malaysia)

**Interim Financial Report
31 October 2015**

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated statement of financial position As at 31 October 2015 – unaudited

	31.10.2015 RM'000	31.07.2015 RM'000
Assets		
Property, plant and equipment	696,438	664,349
Prepaid lease payments	111,323	99,610
Investment properties	4,700	4,700
Investment in associates	8,987	8,101
Intangible assets	2,575	2,333
Prepayments	51,753	45,089
Deferred tax assets	15,603	12,144
Total non-current assets	891,379	836,326
Inventories	261,290	272,755
Trade and other receivables	574,616	500,681
Tax recoverable	860	2,174
Cash and cash equivalents	358,886	243,742
Total current assets	1,195,652	1,019,352
Total assets	2,087,031	1,855,678
Equity		
Share capital	232,487	230,848
Reserves	621,013	546,186
Total equity attributable to owners of the Company	853,500	777,034
Non-controlling interests	223,322	202,591
Total equity	1,076,822	979,625
Liabilities		
Long term payables	4,322	4,322
Loans and borrowings	124,462	123,015
Deferred tax liabilities	56,246	50,783
Total non-current liabilities	185,030	178,120
Trade and other payables	433,844	396,190
Loans and borrowings	370,785	289,193
Taxation	20,550	12,550
Total current liabilities	825,179	697,933
Total liabilities	1,010,209	876,053
Total equity and liabilities	2,087,031	1,855,678
Net assets per share of RM0.20 each	0.74	0.68

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Condensed consolidated statement of comprehensive income for the period ended 31 October 2015 - unaudited

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	612,465	544,558	612,465	544,558
Cost of sales	<u>(505,824)</u>	<u>(460,302)</u>	<u>(505,824)</u>	<u>(460,302)</u>
Gross profit	106,641	84,256	106,641	84,256
Operating expenses	(43,674)	(37,547)	(43,674)	(37,547)
Net other income/(expenses)	<u>16,153</u>	<u>883</u>	<u>16,153</u>	<u>883</u>
Results from operating activities	79,120	47,592	79,120	47,592
Finance costs	(4,750)	(5,138)	(4,750)	(5,138)
Interest income	632	229	632	229
Share of profit/(loss) of associates, net of tax	<u>(142)</u>	<u>18</u>	<u>(142)</u>	<u>18</u>
Profit before tax	74,860	42,701	74,860	42,701
Tax expense	<u>(16,186)</u>	<u>(8,463)</u>	<u>(16,186)</u>	<u>(8,463)</u>
Profit for the period	<u>58,674</u>	<u>34,238</u>	<u>58,674</u>	<u>34,238</u>
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	<u>43,751</u>	<u>10,953</u>	<u>43,751</u>	<u>10,953</u>
Total comprehensive income for the period	<u>102,425</u>	<u>45,191</u>	<u>102,425</u>	<u>45,191</u>
Profit attributable to:				
Owners of the Company	60,177	35,224	60,177	35,224
Non-controlling interests	<u>(1,503)</u>	<u>(986)</u>	<u>(1,503)</u>	<u>(986)</u>
Profit for the period	<u>58,674</u>	<u>34,238</u>	<u>58,674</u>	<u>34,238</u>

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Condensed consolidated statement of comprehensive income for the period ended 31 October 2015 – unaudited (Cont'd)

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total comprehensive income attributable to:				
Owners of the Company	82,275	41,546	82,275	41,546
Non-controlling interests	20,150	3,645	20,150	3,645
Total comprehensive income for the period	102,425	45,191	102,425	45,191
Basic earnings per ordinary share (sen)	5.22	3.59*	5.22	3.59*
Diluted earnings per ordinary share (sen)	4.93	3.46*	4.93	3.46*

*Restated for the effects of enlarged share capital pursuant to the share splits

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Condensed consolidated statement of changes in equity for the period ended 31 October 2015 - unaudited

	Share capital RM'000	Non- distributable Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
At 1 August 2014	230,848	188,675	357,511	777,034	202,591	979,625
Foreign currency translation differences for foreign operations	--	22,098	--	22,098	21,653	43,751
Profit for the period	--	--	60,177	60,177	(1,503)	58,674
Total comprehensive income for the period	--	22,098	60,177	82,275	20,150	102,425
Equity settled share-based transactions	1,639	6,427	--	8,066	63	8,129
Dividends to shareholders	--	--	(13,875)	(13,875)	--	(13,875)
Increase in share capital in subsidiaries	--	--	--	--	518	518
Total transactions with owners of the Group	1,639	6,427	(13,875)	(5,809)	581	(5,228)
Realisation of revaluation reserve	--	(467)	467	--	--	--
At 31 October 2015	232,487	216,733	404,280	853,500	223,322	1,076,822

	Share capital RM'000	Non- distributable Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
At 1 August 2013	186,355	71,942	267,863	526,160	114,829	640,989
Foreign currency translation differences for foreign operations	--	6,322	--	6,322	4,631	10,953
Profit for the period	--	--	35,224	35,224	(986)	34,238
Total comprehensive income for the period	--	6,322	35,224	41,546	3,645	45,191
Share buy back	--	(46)	--	(46)	--	(46)
Equity settled share-based transactions	13,365	8,496	--	21,861	220	22,081
Dividends to shareholders	--	--	(6,938)	(6,938)	--	(6,938)
Increase in share capital in subsidiaries	--	--	(235)	(235)	1,660	1,425
Total transactions with owners of the Group	13,365	8,450	(7,173)	14,642	1,880	16,522
Realisation of revaluation reserve	--	(451)	451	--	--	--
At 31 October 2014	199,720	86,263	296,365	582,348	120,354	702,702

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Condensed consolidated statement of cash flows for the period ended 31 October 2015 - unaudited

	3 months ended 31 October	
	2015 RM'000	2014 RM'000
Cash flows from operating activities		
Profit before tax	74,860	42,701
Adjustments for:		
Depreciation and amortisation	18,199	15,153
Other non-cash items	2,497	1,205
Non-operating items	2,800	4,399
Operating profit before changes in working capital	98,356	63,458
Changes in working capital:		
Change in inventories	11,465	43,561
Change in trade and other receivables	(74,177)	26,688
Change in trade and other payables	(4,308)	(99,805)
Interest received	632	229
Tax paid	(4,868)	(5,194)
Net cash (used in)/from operating activities	27,100	28,937
Cash flows from investing activities		
Acquisition of property, plant and equipment	(9,545)	(12,660)
Proceeds from disposal of property, plant and equipment	2,941	245
Increase in pledged deposits placed with licensed banks	(1,284)	(792)
Prepayments	(6,664)	--
Net cash (used in)/from investing activities	(14,552)	(13,207)
Cash flows from financing activities		
Bank borrowings	76,094	17,594
Dividend paid to owners of the Company	(13,875)	(11,566)
Proceeds from issuance of shares	5,740	21,254
Funds from non-controlling interests	518	1,424
Repurchase of treasury shares	--	(46)
Net cash (used in)/from financing activities	68,477	28,660
Exchange differences on translation of the financial statements of foreign operations	22,098	6,322
Net change in cash and cash equivalents	103,123	50,712
Cash and cash equivalents at beginning of period	224,153	107,643
Foreign exchange differences on opening balances	8,095	1,995
Cash and cash equivalents at end of period	335,371	160,350
Cash and cash equivalent comprise:		
Cash and bank balances	329,192	150,268
Deposit with licensed banks	17,467	18,395
Bank overdrafts	(11,288)	(8,313)
	335,371	160,350

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Notes to the condensed consolidated interim 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 the Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements of the Group as at and for the three months period ended 31 October 2015 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in associates.

The consolidated financial statements of the Group as at and for the year ended 31 July 2015 are available upon request from the Company's registered office at:

Registered office

Suite 7E, Level 7

Menara Ansar

65, Jalan Trus

80000 Johor Bahru

Johor

Malaysia

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 December 2015.

1. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 July 2015.

2. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 July 2015.

3. Seasonal or cyclical factors

The Group's operations are not significantly affected by any seasonal or cyclical factors.

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4. Unusual items affecting the assets, liabilities, equity, net income or cash flows

There are no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

5. Material changes in estimates

There are no material changes in estimates for the current quarter and financial year-to-date.

6. Issuances, cancellations, repurchases, resale and repayments of debts and equity securities

There are no issuance, cancellations, repurchases, resale and repayments of debts and equity securities for the current financial year-to-date other than the following:-

(a) Issuance of shares

8,197,800 ordinary shares of RM0.20 each were issued during the financial year-to-date pursuant to the exercise of share options under the Company's Employees Share Option Scheme.

7. Dividends paid

Since the end of the previous financial year, the Company paid a fourth interim single tier dividend of 1.2 sen per ordinary share of RM0.20 each totalling RM13,874,758 in respect of the financial year ended 31 July 2015 on 30 October 2015.

8. Segment information

(a) Information about reportable segments

	3 months ended 31 October 2015			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	430,254	30,864	150,236	611,354
Inter-segment revenue	52	--	--	52
Segment profit/(loss) before tax	72,785	3,092	(937)	74,940

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8. Segment information (Cont'd)

	3 months ended 31 October 2014			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	387,818	20,130	136,535	544,483
Inter-segment revenue	230	--	2,748	2,978
Segment profit/(loss) before tax	44,101	682	(1,536)	43,247

(b) Reconciliation of reportable segment profit or loss

	3 months ended 31 October	
	2015 RM'000	2014 RM'000
Total profit for reportable segments	74,940	43,247
Other non-reportable segments	(251)	(42)
Elimination of inter-segment profits	313	(522)
Share of profit of associate not included in reportable segments	(142)	18
Consolidated profit before tax	74,860	42,701

9. Material events subsequent to period end

There are no material events subsequent to the end of the period reported that have not been reflected in this quarterly report.

10. Changes in composition of the Group

There are no major changes in the composition of the Group for the current quarter and financial year-to-date except for the incorporation of a wholly owned subsidiary, V S International Venture Pte. Ltd..

11. Contingent liabilities and contingent assets

The Group does not have any contingent liabilities and contingent assets as at 31 October 2015.

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12. Capital Commitments

	31.10.2015 RM'000
Property, plant and equipment Contracted but not provided for	<u>6,404</u>

13. Related party transactions

Significant related party transactions of the Group are as follows: -

	3 months ended 31 October	
	2015 RM'000	2014 RM'000
Subsidiaries in which certain Directors have financial interest		
- Purchases	--	1,004
- Sales	955	244
A company which is wholly owned by close family member of certain Directors		
- Purchases	170	242
A company in which spouse of a Director has financial interest		
- Purchases	8,599	--
Companies in which a major shareholder has financial interest		
- Purchases	--	4,889
Associates		
- Sales	2,723	1,459
A company which is controlled by close family member of a Director		
- Sub-contracting fee payable	1,156	749
A company which is controlled by a Director		
- Operating lease charges and management fee payable	1,336	1,043
A company which is controlled by close family member of a key management personnel		
- Repair and maintenance services payable	64	115
Remuneration paid to staff who are close family member of certain Directors	454	302

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

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Additional Information on Interim Financial Report required on the Bursa Malaysia Listing Requirements

14. Review of performance

For the current quarter under review, the Group recorded a revenue of RM612.5 million, an increase of RM67.9 million or 12.5% as compared to the previous corresponding quarter. Profit before tax stood at RM74.9 million, grew by 75.3% or RM32.2 million over the same period.

The improved earnings for the current quarter was mainly attributable to higher sales contributed by the Malaysian operations coupled with the followings:-

	3 months ended 31 October	
	2015 RM'000	2014 RM'000
Net foreign exchange (gain)/ loss	(14,608)	(61)

The comparison of the results of the segment are tabulated below:-

	Individual Quarter 31 October	
	2015 RM'000	2014 RM'000
Revenue		
Malaysia	430,254	387,818
Indonesia	30,864	20,130
China	150,236	136,535
Profit/(loss) before tax		
Malaysia	72,785	44,101
Indonesia	3,092	682
China	(937)	(1,536)

Malaysia segment

Malaysia segment recorded higher profit before tax mainly due to higher sales from key customers.

Indonesia segment

Indonesia segment recorded higher profit before tax mainly due to higher sales orders from key customers.

China segment

China segment recorded lower loss mainly due to higher sales.

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15. Variation of results against preceding quarter

For the current quarter under review, the Group recorded a higher profit before tax of RM74.9 million as compared to profit before tax of RM57.1 million in the preceding quarter mainly attributable to higher sales contributed by the Malaysia operations and the following:-

	Current quarter RM'000	Preceding quarter RM'000
Net foreign exchange (gain)/loss	(14,608)	(21,361)
Net allowance for inventories written down	--	7,688
Impairment loss:		
- Property, plant and equipment	--	972
- Trade receivables	--	2,035
(Gain)/Loss on disposal of property, plant and equipment	(99)	1,005

16. Current year prospects

The Group's operational environment remains strong in Malaysia. With continued strong support from the existing customers and new potential customers, the Board is optimistic that the Group will perform well for the current financial year.

17. Profit forecast

Not applicable.

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18. Tax expense

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Tax expense				
Malaysia - Current period	15,810	11,429	15,810	11,429
Overseas - Current period	2,401	1,022	2,401	1,022
	<u>18,211</u>	<u>12,451</u>	<u>18,211</u>	<u>12,451</u>
Deferred tax expense				
Malaysia - Current period	(1,780)	(4,039)	(1,780)	(4,039)
Overseas - Current period	(245)	51	(245)	51
	<u>(2,025)</u>	<u>(3,988)</u>	<u>(2,025)</u>	<u>(3,988)</u>
	<u>16,186</u>	<u>8,463</u>	<u>16,186</u>	<u>8,463</u>

The effective tax rate of the Group for the financial year-to-date was lower than the statutory tax rate mainly due to the utilisation of tax incentive in relation to the enhanced export incentive.

19. Status of uncompleted corporate proposals

- (a) There are no outstanding uncompleted corporate proposals as at the date of this quarterly report except for the proposed bonus issue of free warrants.
- (b) The status of the utilisation of the proceeds raised from the private placement is as follows:

<u>Purpose</u>	<u>Proposed utilisation RM'000</u>	<u>Actual utilisation RM'000</u>
Working capital	78,321	55,502
Estimated expenses	500	652 ⁽¹⁾
Total gross proceeds	<u>78,821</u>	<u>56,154</u>

Note: ⁽¹⁾ Additional expenses were due to other incidental cost incurred in connection to the private placement.

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20. Borrowing and debt securities

	31.10.2015 RM'000	31.07.2015 RM'000
Non-current		
<i>Secured</i>		
Term loans	74,591	71,925
Finance lease liabilities	2,829	2,929
<i>Unsecured</i>		
Term loans	47,042	48,161
	<u>124,462</u>	<u>123,015</u>
Current		
<i>Secured</i>		
Term loan	25,776	21,735
Bank overdraft	10,612	8,253
Short term loan	22,439	18,421
Trust receipts	41,526	30,195
Finance lease liabilities	2,358	2,250
<i>Unsecured</i>		
Term loans	20,253	18,723
Bank overdraft	676	393
Bankers' acceptance	100,856	81,613
Trust receipts	126,480	88,997
Short term loan	14,809	13,613
Revolving credit	5,000	5,000
	<u>370,785</u>	<u>289,193</u>
	<u>495,247</u>	<u>412,208</u>

Borrowings denominated in US Dollar amounted to RM277.8 million (31.7.2015 : RM217.7 million).

21. Changes in material litigation

There are no material litigation which would materially and adversely affect the financial position of the Group as at the date of this quarterly report.

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22. Profit for the period

	3 months ended	
	31 October	
	2015	2014
	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting)		
Depreciation and amortisation	18,199	15,153
Net foreign exchange (gain)/loss	(14,608)	(61)
(Gain)/Loss on disposal of property, plant and equipment	(99)	437
Plant and equipment written off	63	--
Derivative (gain)/loss on currency forward contracts	(25)	(15)

23. Dividends

- (a) A first interim single tier dividend of 1.5 sen per ordinary share of RM0.20 each amounting to approximately RM17.5 million was declared on 15 December 2015 for the financial year ending 31 July 2016 and will be paid on 11 March 2016 to shareholders whose names appear on the Company's Record of Depositors on 26 February 2016.
- (b) The total dividend per share for the current financial year is 1.5 sen (previous year corresponding period: 0.6 sen).

24. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share for the current quarter and financial year-to-date are based on net profit attributable to owners of the Company of RM60.2 million and the weighted average number of ordinary shares of 1,153.691 million.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share for the current quarter and financial year-to-date are based on net profit attributable to owners of the Company of RM60.2 million and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 1,219.922 million.

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25. Disclosure of realised and unrealised profits/losses

	Current Quarter 31.10.2015	Preceding Quarter 31.07.2015
Total retained profits of the Company and its subsidiaries		
- Realised	254,615	205,217
- Unrealised	7,804	12,676
	<hr/> 262,419	<hr/> 217,893
Total share of retained profit from associates		
- Realised	(6,694)	(6,552)
	<hr/> 255,725	<hr/> 211,341
Consolidation adjustments	148,555	146,170
Total group retained profit as per consolidated accounts	<hr/> <hr/> 404,280	<hr/> <hr/> 357,511