

**V.S. Industry Berhad**

(Company No. 88160-P)

(Incorporated in Malaysia)

**Interim Financial Report**

**30 April 2014**

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

## Condensed consolidated statement of financial position As at 30 April 2014 – unaudited

	30.04.2014 RM'000	31.07.2013 RM'000
<b>Assets</b>		
Property, plant and equipment	609,434	615,166
Prepaid lease payments	87,624	89,012
Investment properties	3,600	3,600
Investment in associates	8,647	9,021
Deferred tax assets	1,430	1,190
<b>Total non-current assets</b>	710,735	717,989
Inventories	235,509	177,760
Trade and other receivables	440,589	410,526
Tax recoverable	815	880
Cash and cash equivalents	104,834	97,288
<b>Total current assets</b>	781,747	686,454
<b>Total assets</b>	1,492,482	1,404,443
<b>Equity</b>		
Share capital	182,327	182,327
Reserves	304,181	297,319
<b>Total equity attributable to owners of the Company</b>	486,508	479,646
<b>Non-controlling interests</b>	116,206	117,224
<b>Total equity</b>	602,714	596,870
<b>Liabilities</b>		
Long term payables	4,322	4,322
Loans and borrowings	147,248	150,590
Deferred tax liabilities	58,828	60,768
<b>Total non-current liabilities</b>	210,398	215,680
Trade and other payables	426,974	375,276
Loans and borrowings	244,354	211,167
Taxation	8,042	5,450
<b>Total current liabilities</b>	679,370	591,893
<b>Total liabilities</b>	889,768	807,573
<b>Total equity and liabilities</b>	1,492,482	1,404,443
<b>Net assets per share of RM1.00 each</b>	2.68	2.65

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

## Condensed consolidated statement of comprehensive income for the period ended 30 April 2014 - unaudited

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	375,996	242,349	1,180,629	804,131
Cost of sales	(330,756)	(222,635)	(1,050,091)	(730,849)
<b>Gross profit</b>	45,240	19,714	130,538	73,282
Operating expenses	(32,425)	(15,439)	(97,953)	(51,836)
Net other income/(expenses)	(4,481)	(354)	(251)	(4,635)
<b>Results from operating activities</b>	8,334	3,921	32,334	16,811
Finance costs	(4,086)	(1,249)	(11,791)	(3,967)
Interest income	201	158	611	665
Share of profit/(loss) of associates, net of tax	(312)	(2,951)	(413)	(2,871)
<b>Profit/(Loss) before tax</b>	4,137	(121)	20,741	10,638
Tax expense	(2,965)	(194)	(8,448)	(3,569)
<b>Profit for the period</b>	1,172	(315)	12,293	7,069
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations	(16,703)	(1,409)	(4,630)	1,732
<b>Total comprehensive income for the period</b>	(15,531)	(1,724)	7,663	8,801
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	3,815	38	17,135	7,741
Non-controlling interests	(2,643)	(353)	(4,842)	(672)
<b>Profit/(Loss) for the period</b>	1,172	(315)	12,293	7,069

# V.S. Industry Berhad

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## Condensed consolidated statement of comprehensive income for the period ended 30 April 2014 – unaudited (Cont'd)

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	(5,543)	(1,385)	14,683	9,451
Non-controlling interests	(9,988)	(339)	(7,020)	(650)
<b>Total comprehensive income for the period</b>	<b>(15,531)</b>	<b>(1,724)</b>	<b>7,663</b>	<b>8,801</b>
<b>Basic earnings per ordinary share (sen)</b>	<b>2.11</b>	<b>0.02</b>	<b>9.46</b>	<b>4.27</b>
<b>Diluted earnings per ordinary share (sen)</b>	<b><u>anti-dilutive</u></b>	<b><u>anti-dilutive</u></b>	<b><u>anti-dilutive</u></b>	<b><u>anti-dilutive</u></b>

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## Condensed consolidated statement of changes in equity for the period ended 30 April 2014 - 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
<b>At 1 August 2013</b>	182,327	71,002	226,317	479,646	117,224	596,870
Foreign currency translation differences for foreign operations	--	(2,452)	--	(2,452)	(2,178)	(4,630)
Profit for the period	--	--	17,135	17,135	(4,842)	12,293
Total comprehensive income for the period	--	(2,452)	17,135	14,683	(7,020)	7,663
Share buy back	--	(14)	--	(14)	--	(14)
Equity settled share-based transactions	--	1,141	--	1,141	752	1,893
Dividends to shareholders	--	--	(9,422)	(9,422)	--	(9,422)
Increase in share capital in subsidiaries	--	--	--	--	5,724	5,724
Accretion arising from new issue of shares in a subsidiary	--	--	474	474	(474)	--
Total transactions with owners of the Group	--	1,127	(8,948)	(7,821)	6,002	(1,819)
Realisation of revaluation reserve	--	(982)	982	--	--	--
<b>At 30 April 2014</b>	182,327	68,695	235,486	486,508	116,206	602,714

	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
<b>At 1 August 2012</b>	182,327	72,949	152,215	407,491	430	407,921
Foreign currency translation differences for foreign operations	--	1,710	--	1,710	22	1,732
Profit for the period	--	--	7,741	7,741	(672)	7,069
Total comprehensive income for the period	--	1,710	7,741	9,451	(650)	8,801
Share buy back	--	(23)	--	(23)	--	(23)
Equity settled share-based transactions	--	647	--	647	16	663
Share option lapsed in an associate	--	(12)	12	--	--	--
Dividends to shareholders	--	--	(14,497)	(14,497)	--	(14,497)
Increase in share capital in subsidiaries	--	--	--	--	240	240
Total transactions with owners of the Group	--	612	(14,485)	(13,873)	256	(13,617)
Realisation of revaluation reserve	--	(657)	657	--	--	--
<b>At 30 April 2013</b>	182,327	74,614	146,128	403,069	36	403,105

# V.S. Industry Berhad

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## Condensed consolidated statement of cash flows for the period ended 30 April 2014 - unaudited

	9 months ended 30 April	
	2014 RM'000	2013 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	20,741	10,638
Adjustments for:		
Depreciation and amortisation	46,759	21,899
Other non-cash items	1,756	186
Non-operating items	10,220	11,742
<b>Operating profit before changes in working capital</b>	<u>79,476</u>	<u>44,465</u>
Changes in working capital:		
Change in inventories	(57,749)	(11,374)
Change in trade and other receivables	(30,063)	69,409
Change in trade and other payables	52,655	(67,348)
Interest received	611	666
Tax paid	(7,971)	(8,581)
<b>Net cash (used in)/from operating activities</b>	<u>36,959</u>	<u>27,237</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(44,605)	(24,482)
Proceeds from disposal of property, plant and equipment	1,766	1,644
Decrease in pledged deposit placed with licensed bank	748	--
<b>Net cash (used in)/from investing activities</b>	<u>(42,091)</u>	<u>(22,838)</u>
<b>Cash flows from financing activities</b>		
Bank borrowings	24,977	(4,191)
Dividend paid to owners of the Company	(9,422)	(14,497)
Funds from non-controlling interests	5,724	240
Repurchase of treasury shares	(14)	(23)
<b>Net cash (used in)/from financing activities</b>	<u>21,265</u>	<u>(18,471)</u>
Exchange differences on translation of the financial statements of foreign operations	<u>(2,452)</u>	<u>1,710</u>
<b>Net change in cash and cash equivalents</b>	<u>13,681</u>	<u>(12,362)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>77,843</u>	<u>56,978</u>
Foreign exchange differences on opening balances	232	(94)
<b>Cash and cash equivalents at end of period</b>	<u>91,756</u>	<u>44,522</u>
<b>Cash and cash equivalent comprise:</b>		
Cash and bank balances	84,422	32,652
Deposit with licensed banks	11,744	14,331
Bank overdrafts	(4,410)	(2,461)
	<u>91,756</u>	<u>44,522</u>

# **V.S. Industry Berhad**

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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 nine months period ended 30 April 2014 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 2013 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 25 June 2014.

## **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 2013.

## **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 2013.

## **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 repurchase of its own shares in the open market as follows:-

Month	No. of shares repurchased	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration (RM)
September 2013	5,000	1.29	1.27	1.29	6,439
March 2014	5,000	1.50	1.50	1.50	7,555
Total	10,000				13,994

As at the date of this interim report, a total of 1,129,336 of the repurchased shares are being held as treasury shares and carried at cost.

## 7. Dividends paid

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

- (a) a second interim single tier dividend of 3.0 sen per ordinary share of RM1.00 each totalling RM5,436,071 in respect of the financial year ended 31 July 2013 on 30 October 2013; and
- (b) a first interim single tier dividend of 2.2 sen per ordinary share of RM1.00 each totalling RM3,986,446 in respect of the financial year ending 31 July 2014 on 28 January 2014.

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## 8. Segment information

- (a) Information about reportable segments

	9 months ended 30 April 2014			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	704,629	52,630	422,579	1,179,838
Segment profit/(loss) before tax	28,363	399	(5,803)	22,959

	9 months ended 30 April 2013			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	723,178	77,160	--	800,338
Inter-segment revenue	354	--	--	354
Segment profit/(loss) before tax	15,954	4,702	--	20,656

- (b) Reconciliation of reportable segment profit or loss

	9 months ended 30 April	
	2014 RM'000	2013 RM'000
Total profit for reportable segments	22,959	20,656
Other non-reportable segments	(2,159)	(1,322)
Elimination of inter-segment profits	(59)	53
Loss on dilution of interest in an associate	-	(5,878)
Share of profit of associate not included in reportable segments	-	(2,871)
Consolidated profit before tax	20,741	10,638

## 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 changes in the composition of the Group for the current quarter and financial year-to-date except for the followings:

- (a) increase in shareholding in V.S. International Group Limited from 53.84% to 54.13% upon exercise of bonus warrants; and
- (b) incorporation of a new subsidiary, Serumi International Private Limited.

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## 11. Contingent liabilities and contingent assets

The Group does not have any contingent liabilities and contingent assets as at 30 April 2014.

## 12. Related party transactions

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

	9 months ended 30 April	
	2014 RM'000	2013 RM'000
<b>Subsidiaries in which certain Directors have financial interest</b>		
- Purchases	4,232	815
- Sales	675	-
<b>A company which is wholly owned by close family member of certain Directors</b>		
- Sales commission income/sales	671	1,153
- Purchases	4,320	1,736
<b>A company in which certain Directors have substantial financial interest</b>		
- Rental payable	58	174
<b>Companies in which a major shareholder has financial interest</b>		
- Purchases	6,844	3,324
<b>Associates</b>		
- Sales	1,305	-
<b>A company which is controlled by close family member of a Director</b>		
- Sub-contracting fee payable	3,615	-
<b>A company which is controlled by a Director</b>		
- Operating lease charges and management fee payable	3,181	-
<b>A company which is controlled by close family member of a key management personnel</b>		
- Repair and maintenance services payable	337	-
<b>Remuneration paid to staff who are close family member of certain Directors</b>	992	619

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

### 13. Review of performance

For the current quarter under review, the Group recorded a higher revenue of RM376.0 million as compared to RM242.3 million in the preceding year's corresponding quarter, whilst profit before tax was RM4.1 million as compared to loss before tax of RM0.1 million previously.

For the nine months period ended 30 April 2014, the Group recorded a revenue of RM1,180.6 million as compared to RM804.1 million of the corresponding period of the preceding year, whilst profit before tax was RM20.7 million versus RM10.6 million.

The higher revenue for the current quarter and financial period under review was mainly attributable to consolidation of V.S. International Group Limited and its subsidiaries, effective 10 July 2013.

The higher profit before tax for the current quarter and financial period under review was mainly due to improved sales mix for the Malaysian operations and are affected by the following items :-

	3 months ended 30 April		9 months ended 30 April	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net foreign exchange (gain)/loss	(165)	(43)	644	(1,512)
Derivative (gain)/loss on currency forward contracts	4,443	660	1,330	1,510
Loss on dilution of interest in an associate	-	-	-	5,878
Allowance for slow moving inventories	-	-	2,054	-

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

	Individual Quarter 30 April		Cumulative Quarter 30 April	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Revenue</b>				
Malaysia	207,997	218,198	704,629	723,178
Indonesia	20,125	23,825	52,630	77,160
China	147,689	-	422,579	-
<b>Profit/(loss) before tax</b>				
Malaysia	9,794	2,617	28,363	15,954
Indonesia	(645)	934	399	4,702
China	(3,843)	-	(5,803)	-

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## Malaysia segment

The higher profit before tax despite decrease in revenue in both the current quarter and cumulative quarter was mainly due to improved sales mix.

## Indonesia segment

The loss before tax in the current quarter was mainly due to lower sales order from key customers.

The lower profit before tax in the cumulative quarter was mainly attributable to lower sales orders from key customers.

## China segment

The associate, V.S. International Group Limited became a subsidiary effective 10 July 2013.

## **14. Variation of results against preceding quarter**

For the current quarter under review, the Group recorded a lower profit before tax of RM4.1 million as compared to profit before tax of RM6.4 million in the preceding quarter despite a marginal increase in revenue from RM367.4 million to RM376 million. However, the Group recorded improved gross profit margin for the current quarter under review as compared to the preceding quarter due to improved sales mix for the Malaysian operations. Despite the improved gross profit margin, the Group recorded a lower profit before tax for the current quarter mainly due to the derivative loss on currency forward contracts as follows:-

	<b>Current Quarter 30 April 2014 RM'000</b>	<b>Preceding Quarter 31 January 2014 RM'000</b>
Derivative loss/(gain) on currency forward contracts	4,443	(2,237)

## **15. Current year prospects**

The Board is mindful of the continuing challenges faced by the global economy. The Group would continue to develop more new customers to contribute to its future growth and performance.

## **16. Profit forecast**

Not applicable.

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## 17. Tax expense

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Tax expense				
Malaysia – Current period	2,384	338	7,440	3,488
Overseas – Current period	1,099	275	3,135	1,355
	3,483	613	10,575	4,843
Deferred tax expense				
Malaysia – Current period	(332)	(419)	(1,569)	(1,274)
Overseas – Current period	(186)	-	(558)	-
	(518)	(419)	(2,127)	(1,274)
	<u>2,965</u>	<u>194</u>	<u>8,448</u>	<u>3,569</u>

The effective tax rate of the Group for the current quarter and financial year-to-date is higher than the statutory tax rate due to losses incurred by certain subsidiaries which cannot be offset against taxable profits made by other subsidiaries and certain expenses which are not deductible for tax purposes.

## 18. Status of uncompleted corporate proposals

There are no outstanding uncompleted corporate proposals as at the date of this quarterly report.

## 19. Borrowing and debt securities

	30.04.2014 RM'000	31.07.2013 RM'000
<b>Non-current</b>		
<b>Secured</b>		
Term loans	85,193	94,584
Finance lease liabilities	152	251
<b>Unsecured</b>		
Term loans	<u>61,903</u>	<u>55,755</u>
	147,248	150,590
<b>Current</b>		
<b>Secured</b>		
Term loan	13,025	12,974
Bank overdraft	4,387	10,029
Short term loan	36,510	26,438
Trust receipts	41,472	24,038
Finance lease liabilities	140	395

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<i>Unsecured</i>		
Term loans	24,993	20,243
Bank overdraft	23	-
Bankers' acceptance	92,158	81,794
Trust receipts	6,671	13,317
Short term loan	19,975	16,939
Revolving credit	5,000	5,000
	<hr/>	<hr/>
	244,354	211,167
	<hr/>	<hr/>
	391,602	361,757

Borrowings denominated in US Dollar amounted to RM148.9 million.  
(31.7.2013 : RM143.6 million)

## 20. 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.

## 21. Profit for the period

	3 months ended		9 months ended	
	30 April		30 April	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period is arrived at after charging/(crediting)</b>				
Depreciation and amortisation	15,298	7,362	46,759	21,899
Net foreign exchange (gain)/loss	(165)	(43)	644	(1,512)
(Gain)/Loss on disposal of property, plant and equipment	53	(34)	(151)	(484)
Derivative (gain)/loss on currency forward contracts	4,443	660	1,330	1,510
Allowance for slow moving inventories	-	-	2,054	-
Loss on dilution of interest in an associate	-	-	-	5,878

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## 22. Dividends

- (a) A second interim single tier dividend of 2.5 sen per ordinary share of RM1.00 each amounting to RM4.6 million was declared on 25 June 2014 for the financial year ending 31 July 2014 and will be paid on 15 August 2014 to shareholders whose names appear on the Company's Record of Depositors on 1 August 2014.
- (b) The total dividend per share for the current financial year is 4.7 sen (previous year corresponding period: 2.0 sen).

## 23. 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 shareholders of RM3.8 million and RM17.1 respectively and the weighted average number of ordinary shares of 181,200,000 and 181,202,000 respectively.

(b) *Diluted earnings per share*

No disclosure is made for the diluted earnings per share for the current quarter and financial year-to-date as it is anti-dilutive.

## 24. Disclosure of realised and unrealised profits/losses

	<b>Current Quarter 30.04.2014</b>	<b>Preceding Quarter 31.01.2014</b>
Total retained profits of the Company and its subsidiaries		
- Realised	127,088	125,842
- Unrealised	(15,861)	(16,259)
	<hr/> 111,227	<hr/> 109,583
Total share of retained profit from associates		
- Realised	(4,972)	(4,972)
	<hr/> 106,255	<hr/> 104,611
Consolidation adjustments	129,231	125,965
Total group retained profit as per consolidated accounts	<hr/> <hr/> 235,486	<hr/> <hr/> 230,576