

V.S. Industry Berhad
(Company No. 88160-P)
(Incorporated in Malaysia)

Interim Financial Report
31 January 2016

V.S. Industry Berhad

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

Condensed consolidated statement of financial position As at 31 January 2016 – unaudited

	31.01.2016 RM'000	31.07.2015 RM'000
Assets		
Property, plant and equipment	707,300	664,349
Prepaid lease payments	106,087	99,610
Investment properties	4,700	4,700
Investment in associates	8,374	8,101
Other investments	4,293	-
Intangible assets	2,452	2,333
Prepayments	5,980	45,089
Deferred tax assets	18,704	12,144
Total non-current assets	857,890	836,326
Inventories	260,571	272,755
Trade and other receivables	491,697	500,681
Tax recoverable	860	2,174
Cash and cash equivalents	321,483	243,742
Total current assets	1,074,611	1,019,352
Total assets	1,932,501	1,855,678
Equity		
Share capital	233,760	230,848
Reserves	626,571	546,186
Total equity attributable to owners of the Company	860,331	777,034
Non-controlling interests	209,446	202,591
Total equity	1,069,777	979,625
Liabilities		
Long term payables	4,322	4,322
Loans and borrowings	109,173	123,015
Deferred tax liabilities	55,364	50,783
Total non-current liabilities	168,859	178,120
Trade and other payables	398,022	396,190
Loans and borrowings	272,927	289,193
Taxation	22,916	12,550
Total current liabilities	693,865	697,933
Total liabilities	862,724	876,053
Total equity and liabilities	1,932,501	1,855,678
Net assets per share of RM0.20 each	0.74	0.68

V.S. Industry Berhad

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

Condensed consolidated statement of comprehensive income for the period ended 31 January 2016 - unaudited

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	501,113	465,384	1,113,578	1,009,942
Cost of sales	<u>(415,195)</u>	<u>(400,779)</u>	<u>(921,019)</u>	<u>(861,081)</u>
Gross profit	85,918	64,605	192,559	148,861
Operating expenses	(45,072)	(39,514)	(88,746)	(77,061)
Net other income/(expenses)	<u>(1,129)</u>	<u>4,679</u>	<u>15,024</u>	<u>5,562</u>
Results from operating activities	39,717	29,770	118,837	77,362
Finance costs	(4,001)	(4,268)	(8,751)	(9,406)
Interest income	376	304	1,008	533
Share of profit/(loss) of associates, net of tax	<u>(281)</u>	<u>(350)</u>	<u>(423)</u>	<u>(332)</u>
Profit before tax	35,811	25,456	110,671	68,157
Tax expense	<u>(7,687)</u>	<u>(8,282)</u>	<u>(23,873)</u>	<u>(16,745)</u>
Profit for the period	<u>28,124</u>	<u>17,174</u>	<u>86,798</u>	<u>51,412</u>
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	<u>(28,318)</u>	<u>23,268</u>	<u>15,433</u>	<u>34,221</u>
Total comprehensive income for the period	<u>(194)</u>	<u>40,442</u>	<u>102,231</u>	<u>85,633</u>
Profit attributable to:				
Owners of the Company	27,500	18,296	87,677	53,520
Non-controlling interests	<u>624</u>	<u>(1,122)</u>	<u>(879)</u>	<u>(2,108)</u>
Profit for the period	<u>28,124</u>	<u>17,174</u>	<u>86,798</u>	<u>51,412</u>

V.S. Industry Berhad

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

Condensed consolidated statement of comprehensive income for the period ended 31 January 2016 – unaudited (Cont'd)

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:				
Owners of the Company	13,973	30,673	96,248	72,219
Non-controlling interests	(14,167)	9,769	5,983	13,414
Total comprehensive income for the period	<u>(194)</u>	<u>40,442</u>	<u>102,231</u>	<u>85,633</u>
Basic earnings per ordinary share (sen)	<u>2.37</u>	<u>1.82*</u>	<u>7.58</u>	<u>5.38*</u>
Diluted earnings per ordinary share (sen)	<u>2.23</u>	<u>1.81*</u>	<u>7.16</u>	<u>5.36*</u>

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

V.S. Industry Berhad

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

Condensed consolidated statement of cash flows for the period ended 31 January 2016 - unaudited

	6 months ended 31 January	
	2016 RM'000	2015 RM'000
Cash flows from operating activities		
Profit before tax	110,671	68,157
Adjustments for:		
Depreciation and amortisation	37,127	30,815
Other non-cash items	4,627	2,343
Non-operating items	7,206	8,389
Operating profit before changes in working capital	159,631	109,704
Changes in working capital:		
Change in inventories	12,184	47,351
Change in trade and other receivables	31,534	4,721
Change in trade and other payables	(31,489)	(91,428)
Interest received	1,008	387
Tax paid	(14,172)	(7,312)
Net cash (used in)/from operating activities	158,696	63,423
Cash flows from investing activities		
Acquisition of property, plant and equipment	(40,902)	(25,581)
Proceeds from disposal of property, plant and equipment	5,090	1,284
Increase in pledged deposits placed with licensed banks	2,693	(979)
Other investments	(4,293)	--
Net cash (used in)/from investing activities	(37,412)	(25,276)
Cash flows from financing activities		
Bank borrowings	(40,640)	(52,786)
Dividend paid to owners of the Company	(27,831)	(18,661)
Proceeds from issuance of shares	10,195	30,183
Funds from non-controlling interests	706	57,985
Repurchase of treasury shares	--	(46)
Net cash (used in)/from financing activities	(57,570)	16,675
Exchange differences on translation of the financial statements of foreign operations	8,571	18,699
Net change in cash and cash equivalents	72,285	73,521
Cash and cash equivalents at beginning of period	224,153	107,643
Foreign exchange differences on opening balances	5,408	9,628
Cash and cash equivalents at end of period	301,846	190,792
Cash and cash equivalent comprise:		
Cash and bank balances	304,168	173,158
Deposit with licensed banks	9,065	18,930
Bank overdrafts	(11,387)	(1,296)
	301,846	190,792

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

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 six months period ended 31 January 2016 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 28 March 2016.

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.

V.S. Industry Berhad

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

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 issuance of 14,559,800 ordinary shares of RM0.20 each 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) 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; and
- (b) a final single tier dividend of 1.2 sen per ordinary share of RM0.20 each totalling RM13,956,554 in respect of the financial year ended 31 July 2015 on 29 January 2016.

8. Segment information

- (a) Information about reportable segments

	6 months ended 31 January 2016			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	741,911	56,083	314,408	1,112,402
Inter-segment revenue	52	--	886	938
Segment profit/(loss) before tax	104,573	3,798	3,837	112,208

V.S. Industry Berhad

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

8. Segment information (Cont'd)

	6 months ended 31 January 2015			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	705,271	39,331	264,525	1,009,127
Inter-segment revenue	723	--	3,515	4,238
Segment profit/(loss) before tax	71,746	(704)	(1,497)	69,545

(b) Reconciliation of reportable segment profit or loss

	6 months ended 31 January	
	2016 RM'000	2015 RM'000
Total profit for reportable segments	112,208	69,545
Other non-reportable segments	(706)	6
Elimination of inter-segment profits	(408)	(1,062)
Share of profit of associate not included in reportable segments	(423)	(332)
Consolidated profit before tax	110,671	68,157

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 January 2016.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

12. Capital Commitments

	31.01.2016 RM'000
Property, plant and equipment	
Contracted but not provided for	<u>9,433</u>

13. Related party transactions

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

	6 months ended 31 January	
	2016	2015
	RM'000	RM'000
Subsidiaries in which certain Directors have financial interest		
- Purchases	322	3,020
- Sales	<u>1,023</u>	<u>674</u>
A company which is wholly owned by close family member of certain Directors		
- Purchases	<u>575</u>	<u>1,858</u>
A company in which spouse of a Director has financial interest		
- Purchases	<u>15,154</u>	<u>4,861</u>
Associates		
- Sales	<u>3,369</u>	<u>3,851</u>
A company which is controlled by close family member of a Director		
- Sub-contracting fee payable	<u>2,718</u>	<u>1,800</u>
A company which is controlled by a Director		
- Operating lease charges and management fee payable	<u>2,632</u>	<u>2,164</u>
A company which is controlled by close family member of a key management personnel		
- Repair and maintenance services payable	<u>110</u>	<u>221</u>
Remuneration paid to staff who are close family member of certain Directors	<u>1,178</u>	<u>723</u>

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

V.S. Industry Berhad

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

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 higher revenue of RM501.1 million as compared to RM465.4 million in the preceding year's corresponding quarter. Profit before tax stood at RM35.8 million, grew by 40.7% or RM10.4 million over the corresponding period.

For the six months period ended 31 January 2016, the Group recorded a revenue of RM1,113.6 million as compared to the corresponding period of the preceding year of RM1,009.9 million. Profit before tax was RM110.7 million, grew by 62.4% or RM42.5 million over the corresponding period.

The improved earnings for the current quarter and cumulative quarter was mainly attributable to higher sales and the followings:-

	3 months ended 31 January		6 months ended 31 January	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net foreign exchange (gain)/ loss	1,765	(5,161)	(12,843)	(5,222)
Allowance for slow moving inventories	2,905	--	2,905	--

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

	Individual Quarter 31 January		Cumulative Quarter 31 January	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue				
Malaysia	311,657	317,453	741,911	705,271
Indonesia	25,219	19,201	56,083	39,331
China	163,772	127,990	314,408	264,525
Profit/(loss) before tax				
Malaysia	31,788	27,645	104,573	71,746
Indonesia	706	(1,386)	3,798	(704)
China	4,774	39	3,837	(1,497)

Malaysia segment

Malaysia segment recorded higher profit before tax for the current quarter mainly due to improved sales mix.

Malaysia segment recorded higher profit before tax for the cumulative quarter mainly due to higher sales from key customers.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Indonesia segment

Indonesia segment recorded profit before tax for the current quarter and cumulative quarter mainly due to higher sales orders from key customers.

China segment

China segment recorded profit before tax for the current quarter and cumulative quarter mainly due to higher sales.

15. Variation of results against preceding quarter

For the current quarter under review, the Group recorded a lower profit before tax of RM35.8 million as compared to profit before tax of RM74.9 million in the preceding quarter mainly attributable to lower sales contributed by the Malaysia operations and the following:-

	Current quarter RM'000	Preceding quarter RM'000
Net foreign exchange (gain)/loss	1,765	(14,608)
Allowance for slow moving inventories	2,905	--

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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

18. Tax expense

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Tax expense				
Malaysia - Current period	6,917	7,488	22,727	18,917
Overseas - Current period	3,131	1,978	5,532	3,000
	<u>10,048</u>	<u>9,466</u>	<u>28,259</u>	<u>21,917</u>
Deferred tax expense				
Malaysia - Current period	(2,428)	(794)	(4,208)	(4,833)
Overseas - Current period	67	(390)	(178)	(339)
	<u>(2,361)</u>	<u>(1,184)</u>	<u>(4,386)</u>	<u>(5,172)</u>
	<u>7,687</u>	<u>8,282</u>	<u>23,873</u>	<u>16,745</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.
- (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	78,169
Estimated expenses	500	652 ⁽¹⁾
Total gross proceeds	<u>78,821</u>	<u>78,821</u>

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

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

20. Borrowing and debt securities

	31.01.2015	31.07.2015
	RM'000	RM'000
Non-current		
<i>Secured</i>		
Term loans	65,841	71,925
Finance lease liabilities	2,352	2,929
<i>Unsecured</i>		
Term loans	40,980	48,161
	<u>109,173</u>	<u>123,015</u>
Current		
<i>Secured</i>		
Term loan	24,904	21,735
Bank overdraft	11,387	8,253
Short term loan	20,129	18,421
Trust receipts	45,097	30,195
Finance lease liabilities	2,154	2,250
<i>Unsecured</i>		
Term loans	19,940	18,723
Bank overdraft	--	393
Bankers' acceptance	54,529	81,613
Trust receipts	80,500	88,997
Short term loan	9,287	13,613
Revolving credit	5,000	5,000
	<u>272,927</u>	<u>289,193</u>
	<u>382,100</u>	<u>412,208</u>

Borrowings denominated in US Dollar amounted to RM218.3 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.

V.S. Industry Berhad

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

22. Profit for the period

	3 months ended		6 months ended	
	31 January		31 January	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting)				
Depreciation and amortisation	18,928	15,662	37,127	30,815
Net foreign exchange (gain)/loss	1,765	(5,161)	(12,843)	(5,222)
(Gain)/Loss on disposal of property, plant and equipment	(414)	490	(513)	927
Plant and equipment written off	18	--	81	--
Derivative (gain)/loss on currency forward contracts	300	--	275	(15)

23. Dividends

- (a) A second interim single tier dividend of 0.8 sen per ordinary share of RM0.20 each amounting to approximately RM9.4 million was declared on 28 March 2016 for the financial year ending 31 July 2016 and will be paid on 13 May 2016 to shareholders whose names appear on the Company's Record of Depositors on 29 April 2016.
- (b) The total dividend per share for the current financial year is 2.3 sen (previous year corresponding period: 1.2 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 RM27.5 million and RM87.7 million respectively and the weighted average number of ordinary shares of 1,161.161 million and 1,157.426 million respectively.

(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 RM27.5 million and RM87.7 million respectively and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 1,230.705 million and 1,224.698 million respectively.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

25. Disclosure of realised and unrealised profits/losses

	Current Quarter 31.01.2016	Preceding Quarter 31.10.2015
Total retained profits of the Company and its subsidiaries		
- Realised	265,363	254,615
- Unrealised	10,225	7,804
	<hr/> 275,588	<hr/> 262,419
Total share of retained profit from associates		
- Realised	(6,975)	(6,694)
	<hr/> 268,613	<hr/> 255,725
Consolidation adjustments	147,777	148,555
Total group retained profit as per consolidated accounts	<hr/> <hr/> 416,390	<hr/> <hr/> 404,280