

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

Interim Financial Report
31 January 2015

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

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

	31.01.2015 RM'000	31.07.2014 RM'000
Assets		
Property, plant and equipment	631,404	600,811
Prepaid lease payments	95,911	85,321
Investment properties	3,600	3,600
Investment in associates	8,970	8,187
Intangible assets	2,254	2,150
Deferred tax assets	13,238	8,966
Total non-current assets	755,377	709,035
Inventories	222,443	269,794
Trade and other receivables	442,725	447,550
Tax recoverable	1,846	1,846
Cash and cash equivalents	201,751	123,464
Total current assets	868,765	842,654
Total assets	1,624,142	1,551,689
Equity		
Share capital	205,336	186,355
Reserves	412,181	339,805
Total equity attributable to owners of the Company	617,517	526,160
Non-controlling interests	183,756	114,829
Total equity	801,273	640,989
Liabilities		
Long term payables	4,322	4,322
Loans and borrowings	136,042	140,026
Deferred tax liabilities	47,313	45,317
Total non-current liabilities	187,677	189,665
Trade and other payables	390,304	437,029
Loans and borrowings	223,566	269,765
Taxation	21,322	9,613
Dividend payable	--	4,628
Total current liabilities	635,192	721,035
Total liabilities	822,869	910,700
Total equity and liabilities	1,624,142	1,551,689
Net assets per share of RM1.00 each	3.02	2.84

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

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	465,384	367,370	1,009,942	804,633
Cost of sales	<u>(400,779)</u>	<u>(327,531)</u>	<u>(861,081)</u>	<u>(719,335)</u>
Gross profit	64,605	39,839	148,861	85,298
Operating expenses	(39,514)	(33,136)	(77,061)	(65,528)
Net other income/(expenses)	<u>4,679</u>	<u>3,472</u>	<u>5,562</u>	<u>4,230</u>
Results from operating activities	29,770	10,175	77,362	24,000
Finance costs	(4,268)	(3,711)	(9,406)	(7,705)
Interest income	304	211	533	410
Share of profit/(loss) of associates, net of tax	<u>(350)</u>	<u>(251)</u>	<u>(332)</u>	<u>(101)</u>
Profit before tax	25,456	6,424	68,157	16,604
Tax expense	<u>(8,282)</u>	<u>(2,771)</u>	<u>(16,745)</u>	<u>(5,483)</u>
Profit for the period	<u>17,174</u>	<u>3,653</u>	<u>51,412</u>	<u>11,121</u>
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	<u>23,268</u>	<u>18,006</u>	<u>34,221</u>	<u>12,073</u>
Total comprehensive income for the period	<u>40,442</u>	<u>21,659</u>	<u>85,633</u>	<u>23,194</u>
Profit attributable to:				
Owners of the Company	18,296	3,758	53,520	13,320
Non-controlling interests	<u>(1,122)</u>	<u>(105)</u>	<u>(2,108)</u>	<u>(2,199)</u>
Profit for the period	<u>17,174</u>	<u>3,653</u>	<u>51,412</u>	<u>11,121</u>

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

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total comprehensive income attributable to:				
Owners of the Company	30,673	14,233	72,219	20,226
Non-controlling interests	9,769	7,426	13,414	2,968
Total comprehensive income for the period	<u>40,442</u>	<u>21,659</u>	<u>85,633</u>	<u>23,194</u>
Basic earnings per ordinary share (sen)	<u>9.07</u>	<u>2.07</u>	<u>26.89</u>	<u>7.35</u>
Diluted earnings per ordinary share (sen)	<u>9.03</u>	<u>anti-dilutive</u>	<u>26.80</u>	<u>anti-dilutive</u>

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Condensed consolidated statement of changes in equity for the period ended 31 January 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	186,355	71,942	267,863	526,160	114,829	640,989
Foreign currency translation differences for foreign operations	--	18,699	--	18,699	15,522	34,221
Profit for the period	--	--	53,520	53,520	(2,108)	51,412
Total comprehensive income for the period	--	18,699	53,520	72,219	13,414	85,633
Share buy back	--	(46)	--	(46)	--	(46)
Equity settled share-based transactions	18,981	11,729	--	30,710	23	30,733
Dividends to shareholders	--	--	(14,033)	(14,033)	--	(14,033)
Increase in share capital in subsidiaries	--	--	2,426	2,426	56,687	59,113
Acquisition of non-controlling interests	--	192	(111)	81	(1,197)	(1,116)
Total transactions with owners of the Group	18,981	11,875	(11,718)	19,138	55,513	74,651
Realisation of revaluation reserve	--	(747)	747	--	--	--
Transferred from retained earnings	--	8,165	(8,165)	--	--	--
At 31 January 2015	205,336	109,934	302,247	617,517	183,756	801,273

	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	182,327	71,002	226,317	479,646	117,224	596,870
Foreign currency translation differences for foreign operations	--	6,906	--	6,906	5,167	12,073
Profit for the period	--	--	13,320	13,320	(2,199)	11,121
Total comprehensive income for the period	--	6,906	13,320	20,226	2,968	23,194
Share buy back	--	(6)	--	(6)	--	(6)
Equity settled share-based transactions	--	485	--	485	270	755
Dividends to shareholders	--	--	(9,422)	(9,422)	--	(9,422)
Increase in share capital in subsidiaries	--	--	--	--	818	818
Dilution arising from new issue of shares in a subsidiary	--	--	(301)	(301)	301	--
Total transactions with owners of the Group	--	479	(9,723)	(9,244)	1,389	(7,855)
Realisation of revaluation reserve	--	(662)	662	--	--	--
At 31 January 2014	182,327	77,725	230,576	490,628	121,581	612,209

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

	6 months ended 31 January	
	2015 RM'000	2014 RM'000
Cash flows from operating activities		
Profit before tax	68,157	16,604
Adjustments for:		
Depreciation and amortisation	30,815	31,461
Other non-cash items	2,343	522
Non-operating items	8,389	6,678
Operating profit before changes in working capital	109,704	55,265
Changes in working capital:		
Change in inventories	47,351	(32,899)
Change in trade and other receivables	4,721	(7,207)
Change in trade and other payables	(91,428)	(13,616)
Interest received	387	410
Tax paid	(7,312)	(3,593)
Net cash (used in)/from operating activities	63,423	(1,640)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(25,581)	(23,551)
Proceeds from disposal of property, plant and equipment	1,284	647
Increase in pledged deposit placed with licensed bank	(979)	334
Net cash (used in)/from investing activities	(25,276)	(22,570)
Cash flows from financing activities		
Bank borrowings	(52,786)	20,109
Dividend paid to owners of the Company	(18,661)	(9,422)
Proceeds from issuance of shares	30,183	--
Funds from non-controlling interests	57,985	818
Repurchase of treasury shares	(46)	(6)
Net cash (used in)/from financing activities	16,675	11,499
Exchange differences on translation of the financial statements of foreign operations	18,699	6,906
Net change in cash and cash equivalents	73,521	(5,805)
Cash and cash equivalents at beginning of period	107,643	77,843
Foreign exchange differences on opening balances	9,628	1,607
Cash and cash equivalents at end of period	190,792	73,645
Cash and cash equivalent comprise:		
Cash and bank balances	173,158	70,583
Deposit with licensed banks	18,930	12,048
Bank overdrafts	(1,296)	(8,986)
	190,792	73,645

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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 six months period ended 31 January 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 2014 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 26 March 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 2014.

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 2014.

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

18,981,116 ordinary shares of RM1.00 each were issued during the financial year-to-date pursuant to the exercise of share options under the Company's Employees Share Option Scheme.

(b) Share repurchase

The shares repurchased during the financial year to date and are being held as treasury shares are as follows:-

Month	No. of shares repurchased	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration (RM)
October 2014	20,000	2.29	2.31	2.32	46,337

As at the date of this interim report, a total of 1,149,336 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 third interim single tier dividend of 3.5 sen per ordinary share of RM1.00 each totalling RM6,937,712 in respect of the financial year ended 31 July 2014 on 30 October 2014; and

(b) a final single tier dividend of 3.5 sen per ordinary share of RM1.00 each totalling RM7,095,783 in respect of the financial year ended 31 July 2014 on 28 January 2015.

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8. Segment information

(a) Information about reportable segments

	6 months ended 31 January 2015			
	Malaysia	Indonesia	China	Total
	RM'000	RM'000	RM'000	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

	6 months ended 31 January 2014			
	Malaysia	Indonesia	China	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	496,632	32,505	274,890	804,027
Segment profit/(loss) before tax	18,569	1,044	(1,960)	17,653

(b) Reconciliation of reportable segment profit or loss

	6 months ended	
	31 January	
	2015	2014
	RM'000	RM'000
Total profit for reportable segments	69,545	17,653
Other non-reportable segments	6	(1,462)
Elimination of inter-segment profits	(1,062)	413
Share of profit of associate not included in reportable segments	(332)	-
Consolidated profit before tax	68,157	16,604

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:-

- decrease in shareholding in V.S. International Group Limited from 54.13% to 45.27% arising from new issue of shares; and
- acquisition of remaining 0.75% shareholding in V.S. Plus Sdn. Bhd. making it a wholly owned subsidiary.

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11. Contingent liabilities and contingent assets

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

12. Related party transactions

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

	6 months ended 31 January	
	2015 RM'000	2014 RM'000
Subsidiaries in which certain Directors have financial interest		
- Purchases	3,020	2,941
- Sales	674	-
A company which is wholly owned by close family member of certain Directors		
- Sales commission income/sales	--	486
- Purchases	1,858	2,665
A company in which spouse of a Director has substantial financial interest		
- Purchases	4,861	--
A company in which certain Directors have substantial financial interest		
- Rental payable	--	58
Companies in which a major shareholder has financial interest		
- Purchases	8,357	3,634
Associates		
- Sales	3,851	1,086
A company which is controlled by close family member of a Director		
- Sub-contracting fee payable	1,800	3,410
A company which is controlled by a Director		
- Operating lease charges and management fee payable	2,164	2,120
A company which is controlled by close family member of a key management personnel		
- Repair and maintenance services payable	221	222
Remuneration paid to staff who are close family member of certain Directors	723	746

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 revenue of RM465.4 million, an increase of RM98.0 million or 26.7% as compared to the previous corresponding quarter. Profit before tax stood at RM25.5 million, grew by 296.3% or RM19.0 million over the same period.

For the six months period ended 31 January 2015, the Group recorded a revenue of RM1,009.9 million, an increase of RM205.3 million or 25.5% as compared to the corresponding period of the preceding year. Profit before tax was RM68.2 million, grew by 310.5% or RM51.6 million over the same period.

The improved earnings for the current quarter and cumulative quarter was mainly attributable to higher sales and better sales mix contributed by the Malaysian operations and the followings:-

	3 months ended 31 January		6 months ended 31 January	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net foreign exchange (gain)/ loss	(5,161)	516	(5,222)	809
Derivative (gain)/ loss on currency forward contracts	-	(2,237)	15	(3,113)

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

	Individual Quarter 31 January		Cumulative Quarter 31 January	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue				
Malaysia	317,453	219,975	705,271	496,632
Indonesia	19,201	15,793	39,331	32,505
China	127,990	131,282	264,525	274,890
Profit/(loss) before tax				
Malaysia	27,645	4,786	71,746	18,569
Indonesia	(1,386)	246	(704)	1,044
China	39	1,169	(1,497)	(1,960)

Malaysia segment

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

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Indonesia segment

Despite increase in revenue, Indonesia segment recorded loss before tax for the current quarter and cumulative quarter which was mainly due to higher operations cost and interest cost as the operations moved into new factory in May 2014.

China segment

China segment recorded lower profit for the current quarter mainly due to lower sales orders from key customers.

Despite decrease in revenue for the cumulative quarter, China segment recorded lower loss mainly due to improved sales mix.

14. Variation of results against preceding quarter

For the current quarter under review, the Group recorded a lower profit before tax of RM25.5 million as compared to profit before tax of RM42.7 million in the preceding quarter was mainly attributable to lower sales generated by the Malaysia operations as compared to the preceding quarter.

15. Current year prospects

Following on from the first half performance, the Board is optimistic that the Group will continue its better performance for the current financial year.

16. Profit forecast

Not applicable.

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17. Tax expense

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Tax expense				
Malaysian - Current period	7,488	3,431	18,917	5,056
Overseas - Current period	1,978	897	3,000	2,036
	<u>9,466</u>	<u>4,328</u>	<u>21,917</u>	<u>7,092</u>
Deferred tax expense				
Malaysian - Current period	(794)	(1,368)	(4,833)	(1,237)
Overseas - Current period	(390)	(189)	(339)	(372)
	<u>(1,184)</u>	<u>(1,557)</u>	<u>(5,172)</u>	<u>(1,609)</u>
	<u>8,282</u>	<u>2,771</u>	<u>16,745</u>	<u>5,483</u>

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

18. Status of uncompleted corporate proposals

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

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19. Borrowing and debt securities

	31.01.2015 RM'000	31.07.2014 RM'000
Non-current		
<i>Secured</i>		
Term loans	79,359	80,132
Finance lease liabilities	1,130	112
<i>Unsecured</i>		
Term loans	55,553	59,782
	<u>136,042</u>	<u>140,026</u>
Current		
<i>Secured</i>		
Term loan	18,513	12,738
Bank overdraft	-	5,684
Short term loan	29,125	36,063
Trust receipts	22,150	31,751
Finance lease liabilities	945	55
<i>Unsecured</i>		
Term loans	19,124	19,875
Bank overdraft	1,296	1,453
Bankers' acceptance	98,032	114,838
Trust receipts	14,076	19,834
Short term loan	15,305	19,474
Revolving credit	5,000	8,000
	<u>223,566</u>	<u>269,765</u>
	<u>359,608</u>	<u>409,791</u>

Borrowings denominated in US Dollar amounted to RM130.8 million (31.7.2014 : RM150.4 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.

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21. Profit for the period

	3 months ended		6 months ended	
	31 January		31 January	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting)				
Depreciation and amortisation	15,662	15,464	30,815	31,461
Net foreign exchange (gain)/loss	(5,161)	516	(5,222)	809
(Gain)/Loss on disposal of property, plant and equipment	490	(168)	927	(204)
Derivative (gain)/loss on currency forward contracts	-	(2,237)	(15)	(3,113)

22. Dividends

- (a) A second interim single tier dividend of 3.0 sen per ordinary share of RM1.00 each amounting to approximately RM6.2 million was declared on 26 March 2015 for the financial year ending 31 July 2015 and will be paid on 15 May 2015 to shareholders whose names appear on the Company's Record of Depositors on 30 April 2015.
- (b) The total dividend per share for the current financial year is 6.0 sen (previous year corresponding period: 2.2 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 owners of the Company of RM18.3 million and RM53.5 million respectively and the weighted average number of ordinary shares of 201,742,000 and 199,032,000 respectively.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share for the current quarter and financial year-to-date is based on net profit attributable to owners of the Company of RM18.3 million and RM53.5 million respectively and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 202,534,000 and 199,723,000 respectively.

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24. Disclosure of realised and unrealised profits/losses

	Current Quarter 31.01.2015	Preceding Quarter 31.01.2014
Total retained profits of the Company and its subsidiaries		
- Realised	162,278	125,842
- Unrealised	9,423	(16,259)
	<u>171,701</u>	<u>109,583</u>
Total share of retained profit from associates		
- Realised	(5,315)	(4,972)
	<u>166,386</u>	<u>104,611</u>
Consolidation adjustments	135,861	125,965
Total group retained profit as per consolidated accounts	<u><u>302,247</u></u>	<u><u>230,576</u></u>