

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

**Interim Financial Report**  
**30 April 2017**

# V.S. Industry Berhad

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

## Condensed consolidated statement of financial position As at 30 April 2017 – unaudited

	30.04.2017 RM'000	31.07.2016 RM'000
<b>Assets</b>		
Property, plant and equipment	755,016	680,719
Prepaid lease payments	98,936	97,118
Investment properties	4,800	4,800
Intangible assets	-	2,718
Investment in associates	75,359	9,628
Other investments	44,838	63,013
Prepayments	9,622	5,983
Deferred tax assets	9,854	9,987
<b>Total non-current assets</b>	<b>998,425</b>	<b>873,966</b>
Inventories	391,532	306,603
Trade and other receivables	816,400	583,436
Tax recoverable	1,192	2,037
Cash and cash equivalents	301,205	218,401
<b>Total current assets</b>	<b>1,510,329</b>	<b>1,110,477</b>
<b>Total assets</b>	<b>2,508,754</b>	<b>1,984,443</b>
<b>Equity</b>		
Share capital	355,485	235,169
Reserves	661,933	644,734
<b>Equity attributable to owners of the Company</b>	<b>1,017,418</b>	<b>879,903</b>
<b>Non-controlling interests</b>	<b>197,608</b>	<b>185,980</b>
<b>Total equity</b>	<b>1,215,026</b>	<b>1,065,883</b>
<b>Liabilities</b>		
Long term payables	4,322	4,322
Loans and borrowings	116,316	92,473
Deferred tax liabilities	53,263	47,500
<b>Total non-current liabilities</b>	<b>173,901</b>	<b>144,295</b>
Trade and other payables	652,838	440,558
Loans and borrowings	439,432	322,570
Taxation	27,557	11,137
<b>Total current liabilities</b>	<b>1,119,827</b>	<b>774,265</b>
<b>Total liabilities</b>	<b>1,293,728</b>	<b>918,560</b>
<b>Total equity and liabilities</b>	<b>2,508,754</b>	<b>1,984,443</b>
<b>Net assets per share</b>	<b>0.86</b>	<b>0.75</b>

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## Condensed consolidated statement of comprehensive income for the period ended 30 April 2017 - unaudited

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Revenue</b>	854,108	507,844	2,297,964	1,621,422
Cost of sales	(723,921)	(437,152)	(1,955,400)	(1,358,171)
<b>Gross profit</b>	130,187	70,692	342,564	263,251
Operating expenses	(52,551)	(41,137)	(151,876)	(129,883)
Net other income/(expenses)	(199)	(2,965)	1,954	12,059
<b>Results from operating activities</b>	77,437	26,590	192,642	145,427
Finance costs	(6,298)	(3,566)	(17,324)	(12,317)
Interest income	1,075	264	2,179	1,272
Share of profit/(loss) of associates, net of tax	(2,413)	(950)	(1,646)	(1,373)
<b>Profit before tax</b>	69,801	22,338	175,851	133,009
Tax expense	(19,793)	(4,577)	(53,633)	(28,450)
<b>Profit for the period</b>	50,008	17,761	122,218	104,559
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations	(23,441)	(19,436)	38,298	(4,003)
<b>Total comprehensive income for the period</b>	26,567	(1,675)	160,516	100,556
<b>Profit attributable to:</b>				
Owners of the Company	50,499	19,307	119,513	106,984
Non-controlling interests	(491)	(1,546)	2,705	(2,425)
<b>Profit for the period</b>	50,008	17,761	122,218	104,559

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## Condensed consolidated statement of comprehensive income for the period ended 30 April 2017 – unaudited (Cont'd)

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	31,527	9,090	152,580	105,338
Non-controlling interests	<u>(4,960)</u>	<u>(10,765)</u>	<u>7,936</u>	<u>(4,782)</u>
<b>Total comprehensive income for the period</b>	<u>26,567</u>	<u>(1,675)</u>	<u>160,516</u>	<u>100,556</u>
<b>Basic earnings per ordinary share (sen)</b>	<u>4.26</u>	<u>1.66</u>	<u>10.16</u>	<u>9.23</u>
<b>Diluted earnings per ordinary share (sen)</b>	<u>4.06</u>	<u>1.58</u>	<u>9.71</u>	<u>8.74</u>

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## Condensed consolidated statement of changes in equity for the period ended 30 April 2017 - 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 2016</b>	235,169	233,210	411,524	879,903	185,980	1,065,883
Foreign currency translation differences for foreign operations	--	33,067	--	33,067	5,231	38,298
Profit for the period	--	--	119,513	119,513	2,705	122,218
Total comprehensive income for the period	--	33,067	119,513	152,580	7,936	160,516
Equity settled share-based transactions	6,443	11,304	134	17,881	2,170	20,051
Dividends to shareholders	--	--	(32,946)	(32,946)	--	(32,946)
Increase in share capital in subsidiaries	--	--	--	--	1,522	1,522
Total transactions with owners of the Group	6,443	11,304	(32,812)	(15,065)	3,692	(11,373)
Realisation of revaluation reserve	--	(1,059)	1,059	--	--	--
Transferred from retained earnings	--	1,440	(1,440)	--	--	--
Transfer in accordance with Section 618(2) of the Companies Act 2016	113,873	(113,873)	--	--	--	--
<b>At 30 April 2017</b>	355,485	164,089	497,844	1,017,418	197,608	1,215,026

	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 2015</b>	230,848	188,675	357,511	777,034	202,591	979,625
Foreign currency translation differences for foreign operations	--	(1,646)	--	(1,646)	(2,357)	(4,003)
Profit for the period	--	--	106,984	106,984	(2,425)	104,559
Total comprehensive income for the period	--	(1,646)	106,984	105,338	(4,782)	100,556
Share buy back	--	(210)	--	(210)	--	(210)
Equity settled share-based transactions	2,913	14,224	--	17,137	128	17,265
Dividends to shareholders	--	--	(45,274)	(45,274)	--	(45,274)
Change in ownership interests in subsidiaries	--	--	1,087	1,087	418	1,505
Total transactions with owners of the Group	2,913	14,014	(44,187)	(27,260)	546	(26,714)
Realisation of revaluation reserve	--	(1,059)	1,059	--	--	--
Transferred from retained earnings	--	1,694	(1,694)	--	--	--
<b>At 30 April 2016</b>	233,761	201,678	419,673	855,112	198,355	1,053,467

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## Condensed consolidated statement of cash flows for the period ended 30 April 2017 - unaudited

	9 months ended 30 April	
	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	175,851	133,009
Adjustments for:		
Depreciation and amortisation	56,581	55,045
Other non-cash items	9,418	6,965
Non-operating items	15,591	11,076
<b>Operating profit before changes in working capital</b>	<b>257,441</b>	<b>206,095</b>
Changes in working capital:		
Change in inventories	(84,929)	12,558
Change in trade and other receivables	(230,389)	(12,775)
Change in trade and other payables	177,442	2,494
Interest received	2,179	1,272
Tax paid	(30,472)	(27,763)
<b>Net cash (used in)/from operating activities</b>	<b>91,272</b>	<b>181,881</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(113,211)	(72,413)
Proceeds from disposal of property, plant and equipment	5,863	6,678
Change in pledged deposits	(49,106)	5,084
Prepayments	(3,639)	--
Other investments	(46,072)	(41,891)
<b>Net cash (used in)/from investing activities</b>	<b>(206,165)</b>	<b>(102,542)</b>
<b>Cash flows from financing activities</b>		
Bank borrowings	121,862	(56,614)
Dividend paid to owners of the Company	(32,946)	(45,274)
Proceeds from issuance of shares	11,774	10,198
Funds from non-controlling interests	1,522	1,505
Repurchase of treasury shares	--	(210)
<b>Net cash (used in)/from financing activities</b>	<b>102,212</b>	<b>(90,395)</b>
Exchange differences on translation of the financial statements of foreign operations	33,067	(1,646)
<b>Net change in cash and cash equivalents</b>	<b>20,386</b>	<b>(12,702)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>199,230</b>	<b>224,153</b>
Foreign exchange differences on opening balances	11,219	1,550
<b>Cash and cash equivalents at end of period</b>	<b>230,835</b>	<b>213,001</b>
<b>Cash and cash equivalent comprise:</b>		
Cash and bank balances	239,738	219,417
Deposit with licensed banks	4,410	4,168
Bank overdrafts	(13,313)	(10,584)
	<b>230,835</b>	<b>213,001</b>

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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 2017 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 2016 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 13 June 2017.

## **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 2016.

## **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 2016.

## **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 issuance of 16.82 million ordinary shares 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 0.8 sen per ordinary share totalling RM9,366,357 in respect of the financial year ended 31 July 2016 on 28 October 2016;
- (b) a final single tier dividend of 0.8 sen per ordinary share totalling RM9,404,790 in respect of the financial year ended 31 July 2016 on 25 January 2017;
- (c) a first interim single tier dividend of 1.2 sen per ordinary share totalling RM14,174,984 in respect of the financial year ending 31 July 2017 on 15 March 2017; and
- (d) a second interim single tier dividend of 1.2 sen per ordinary share totalling RM14,240,960 in respect of the financial year ending 31 July 2017 on 12 May 2017.

## 8. Segment information

- (a) Information about reportable segments

	9 months ended 30 April 2017			
	Malaysia	Indonesia	China	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	1,557,343	111,707	626,659	2,295,709
Inter-segment revenue	2,709	--	1,197	3,906
Segment profit/(loss) before tax	157,222	6,715	19,139	183,076

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## 8. Segment information (Cont'd)

	9 months ended 30 April 2016			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	1,098,209	82,371	438,989	1,619,569
Inter-segment revenue	1,394	--	867	2,261
Segment profit/(loss) before tax	127,937	4,788	2,780	135,505

### (b) Reconciliation of reportable segment profit or loss

	9 months ended 30 April	
	2017 RM'000	2016 RM'000
Total profit for reportable segments	183,076	135,505
Other non-reportable segments	(5,579)	(1,057)
Elimination of inter-segment profits	-	(66)
Share of profit of associate not included in reportable segments	(1,646)	(1,373)
Consolidated profit before tax	175,851	133,009

## 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.

## 11. Contingent liabilities and contingent assets

The Group does not have any contingent liabilities and contingent assets as at 30 April 2017.

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## 12. Capital Commitments

	<b>30.04.2017</b> <b>RM'000</b>
<b>Property, plant and equipment</b>	
Contracted but not provided for	<u>10,004</u>

## 13. Related party transactions

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

	<b>9 months ended</b> <b>30 April</b>	
	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
<b>Subsidiaries in which certain Directors have financial interest</b>		
- Purchase	928	759
- Sales	<u>669</u>	<u>1,342</u>
<b>A company which is wholly owned by close family member of certain Directors</b>		
- Purchases	<u>2,290</u>	<u>863</u>
<b>A company in which spouse of a Director has financial interest</b>		
- Purchases	<u>27,787</u>	<u>22,619</u>
<b>Associates</b>		
- Sales	<u>2,953</u>	<u>4,375</u>
<b>A company which is controlled by close family member of a Director</b>		
- Sub-contracting fee payable	<u>4,012</u>	<u>3,557</u>
<b>A company which is controlled by a Director</b>		
- Operating lease charges and management fee payable	<u>3,761</u>	<u>3,864</u>
<b>A company which is controlled by close family member of a key management personnel</b>		
- Repair and maintenance services payable	<u>722</u>	<u>134</u>
<b>Remuneration paid to staff who are close family member of certain Directors</b>	<u>2,249</u>	<u>1,836</u>

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 RM854.1 million, an increase of RM346.3 million or 68.2% as compared to the previous corresponding quarter. Profit before tax stood at RM69.8 million, grew by 212.5% or RM47.5 million over the same period.

For the nine months period ended 30 April 2017, the Group recorded a revenue of RM2,298.0 million as compared to the corresponding period of the preceding year of RM1,621.4 million. Profit before tax stood at RM175.9 million, grew by 32.2% or RM42.8 million over the same period.

The improved earnings for the current quarter and cumulative quarter was mainly attributable to higher sales orders from existing key customers.

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

	Individual Quarter		Cumulative Quarter	
	30 April		30 April	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Malaysia	612,793	356,298	1,557,343	1,098,209
Indonesia	34,192	26,288	111,707	82,371
China	205,908	124,581	626,659	438,989
<b>Profit/(loss) before tax</b>				
Malaysia	65,991	23,364	157,222	127,937
Indonesia	1,446	990	6,715	4,788
China	5,242	(1,057)	19,139	2,780

#### Malaysia segment

Malaysia segment recorded higher profit before tax for the current quarter and cumulative quarter mainly due to higher sales orders from key customers, including the new box built orders from key customers. The new production lines that were commissioned earlier are now running at optimal capacity, which further contributed to the increase in revenue in Malaysia.

#### Indonesia segment

Indonesia segment recorded higher profit before tax for the current quarter and cumulative quarter in tandem with higher sales from key customers.

#### China segment

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

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

For the current quarter under review, the Group recorded a higher revenue of RM854.1 million, an increase of RM90.3 million or 11.8% as compared to the immediate preceding quarter. In tandem with the revenue growth, the Group also posted a higher profit before tax of RM69.8 million as compared to profit before tax of RM60.6 million in the preceding quarter mainly attributable to higher sales contributed by the Malaysia operations.

## **16. Current year prospects**

Following the award of the vertical integration status by the Group's key customer in May 2016, the Group has gradually received much more box built orders which on a collective basis are expected to contribute to substantial growth in revenue. As production volume increases, the Group benefits from higher production efficiency and greater economies of scale.

On its operations in China, the Group continues to strive to secure new and replenishment sales orders from its customers, and expect performance to be satisfactory going forward.

On a macro basis, the Group is also aware of the increasing challenging operating environment in view of the volatile USD/RM foreign exchange rate.

Notwithstanding the challenging environment, with prudent management, coupled with continued strong support from existing as well as newly acquired customers, the Board is optimistic that the Group will achieve better performance for the current financial year.

## **17. Profit forecast**

Not applicable.

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## 18. Tax expense

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Tax expense				
Malaysia - Current period	17,151	4,808	41,014	27,535
Overseas - Current period	1,956	1,624	8,175	7,156
	<u>19,107</u>	<u>6,432</u>	<u>49,189</u>	<u>34,691</u>
Deferred tax expense				
Malaysia - Current period	923	(1,573)	5,145	(5,781)
Overseas - Current period	(237)	(282)	(701)	(460)
	<u>686</u>	<u>(1,855)</u>	<u>4,444</u>	<u>(6,241)</u>
	<u>19,793</u>	<u>4,577</u>	<u>53,633</u>	<u>28,450</u>

The effective tax rate of the Group for the financial year-to-date was higher than the statutory tax rate mainly due to non-deductible expenses.

## 19. Status of uncompleted corporate proposals

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

## 20. Borrowing and debt securities

	30.04.2017 RM'000	31.07.2016 RM'000
<b>Non-current</b>		
<b><i>Secured</i></b>		
Term loans	36,285	52,290
Finance lease liabilities	8,412	9,787
<b><i>Unsecured</i></b>		
Term loans	<u>71,619</u>	<u>30,396</u>
	116,316	92,473
<b>Current</b>		
<b><i>Secured</i></b>		
Term loan	26,034	24,392
Bank overdraft	13,313	10,730
Short term loan	68,897	18,369
Trust receipts	50,977	38,345
Finance lease liabilities	3,926	4,233

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## 20. Borrowing and debt securities (Cont'd)

### *Unsecured*

Term loans	39,633	19,802
Bank overdraft	--	490
Bankers' acceptance	135,122	94,176
Trust receipts	89,074	93,649
Short term loan	7,456	10,284
Revolving credit	5,000	8,100
	<u>439,432</u>	<u>322,570</u>
	<u>555,748</u>	<u>415,043</u>

Borrowings denominated in US Dollar amounted to RM161.1 million (31.7.2016 : RM120.7 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.

## 22. Profit for the period

	3 months ended		9 months ended	
	30 April		30 April	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period is arrived at after charging/(crediting)</b>				
Depreciation and amortisation	18,668	17,918	56,581	55,045
Net foreign exchange (gain)/loss	474	5,770	(6,394)	(7,073)
(Gain)/Loss on disposal of property, plant and equipment	159	313	406	(200)
Plant and equipment written off	5	3	25	84
Derivative (gain)/loss on currency forward contracts	--	(6)	--	269
Impairment on intangible assets	--	-	2,865	-

## 23. Dividends

- A third interim single tier dividend of 1.5 sen per ordinary share amounting to approximately RM17.9 million was declared on 13 June 2017 for the financial year ending 31 July 2017 and will be paid on 28 July 2017 to shareholders whose names appear on the Company's Record of Depositors on 12 July 2017.
- The total dividend per share for the current financial year is 3.9 sen (previous year corresponding period: 3.1 sen).

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## 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 RM50.5 million and RM119.5 million respectively and the weighted average number of ordinary shares of 1,184.799 million and 1,176.571 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 RM50.5 million and RM119.5 million respectively and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 1,244.188 million and 1,230.810 million respectively.

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

	<b>Current Quarter 30.04.2017</b>	<b>Preceding Quarter 31.01.2017</b>
Total retained profits of the Company and its subsidiaries		
- Realised	339,085	304,959
- Unrealised	393	1,495
	<u>339,478</u>	<u>306,454</u>
Total share of retained profit from associates		
- Realised	(8,198)	(5,785)
	<u>331,280</u>	<u>300,669</u>
Consolidation adjustments	166,564	160,521
Total group retained profit as per consolidated accounts	<u><u>497,844</u></u>	<u><u>461,190</u></u>