

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

**Interim Financial Report**  
**31 July 2018**

# V.S. Industry Berhad

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

## Condensed consolidated statement of financial position As at 31 July 2018 – unaudited

	31.07.2018 RM'000	31.07.2017 RM'000
<b>Assets</b>		
Property, plant and equipment	876,667	841,043
Prepaid lease payments	79,446	98,359
Investment properties	4,900	4,900
Investment in associates	68,800	76,885
Other investments	148,304	40,268
Prepayments	10,923	7,263
Deferred tax assets	3,066	3,883
<b>Total non-current assets</b>	<b>1,192,106</b>	<b>1,072,601</b>
Assets held for sale	13,492	--
Inventories	539,873	479,814
Trade and other receivables	939,641	996,017
Tax recoverable	1,396	1,302
Cash and cash equivalents	415,636	344,919
<b>Total current assets</b>	<b>1,910,038</b>	<b>1,822,052</b>
<b>Total assets</b>	<b>3,102,144</b>	<b>2,894,653</b>
<b>Equity</b>		
Share capital	603,303	369,109
Reserves	819,881	688,437
<b>Equity attributable to owners of the Company</b>	<b>1,423,184</b>	<b>1,057,546</b>
<b>Non-controlling interests</b>	<b>220,919</b>	<b>220,410</b>
<b>Total equity</b>	<b>1,644,103</b>	<b>1,277,956</b>
<b>Liabilities</b>		
Long term payables	4,322	4,322
Loans and borrowings	93,758	119,049
Deferred tax liabilities	69,141	72,945
<b>Total non-current liabilities</b>	<b>167,221</b>	<b>196,316</b>
Trade and other payables	729,783	818,842
Loans and borrowings	551,690	587,832
Taxation	9,347	13,707
<b>Total current liabilities</b>	<b>1,290,820</b>	<b>1,420,381</b>
<b>Total liabilities</b>	<b>1,458,041</b>	<b>1,616,697</b>
<b>Total equity and liabilities</b>	<b>3,102,144</b>	<b>2,894,653</b>
<b>Net assets per share</b>	<b>0.84</b>	<b>0.71</b>

# V.S. Industry Berhad

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## Condensed consolidated statement of comprehensive income for the period ended 31 July 2018 - unaudited

	Individual 3 months ended 31 July		Cumulative 12 months ended 31 July	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Revenue</b>	1,010,936	983,386	4,089,191	3,281,350
Cost of sales	(892,891)	(867,524)	(3,651,973)	(2,822,924)
<b>Gross profit</b>	118,045	115,862	437,218	458,426
Operating expenses	(54,208)	(53,721)	(219,173)	(205,597)
Net other income/(expenses)	(26,656)	(10,787)	(11,744)	(8,833)
<b>Results from operating activities</b>	37,181	51,354	206,301	243,996
Finance costs	(7,276)	(6,278)	(29,766)	(23,602)
Interest income	2,120	1,335	6,467	3,514
Share of profit/(loss) of associates, net of tax	(6,977)	1,411	(6,635)	(235)
<b>Profit before tax</b>	25,048	47,822	176,367	223,673
Tax expense	(1,267)	(12,223)	(38,133)	(65,856)
<b>Profit for the period</b>	23,781	35,599	138,234	157,817
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations	5,936	(2,310)	(47,287)	35,988
Surplus on revaluation of properties net of deferred tax	--	40,742	--	40,742
Fair value of available for sale financial assets	85,752	--	85,752	--
Remeasurement of actuarial gain/loss	286	174	286	174
<b>Total comprehensive income for the period</b>	115,755	74,205	176,985	234,721
<b>Profit attributable to:</b>				
Owners of the Company	38,441	36,806	150,766	156,319
Non-controlling interests	(14,660)	(1,207)	(12,532)	1,498
<b>Profit for the period</b>	23,781	35,599	138,234	157,817

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## Condensed consolidated statement of comprehensive income for the period ended 31 July 2018 – unaudited (Cont'd)

	Individual 3 months ended 31 July		Cumulative 12 months ended 31 July	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	138,098	58,233	202,946	210,813
Non-controlling interests	<u>(22,343)</u>	<u>15,972</u>	<u>(25,961)</u>	<u>23,908</u>
<b>Total comprehensive income for the period</b>	<u>115,755</u>	<u>74,205</u>	<u>176,985</u>	<u>234,721</u>
<b>Basic earnings per ordinary share (sen)</b>	<u>2.29</u>	<u>2.46</u>	<u>9.27</u>	<u>10.58</u>
<b>Diluted earnings per ordinary share (sen)</b>	<u>2.16</u>	<u>2.34</u>	<u>8.56</u>	<u>10.12</u>



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## Condensed consolidated statement of cash flows for the period ended 31 July 2018 - unaudited

	12 months ended 31 July	
	2018 RM'000	2017 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	176,367	223,673
Adjustments for:		
Depreciation and amortisation	81,651	78,051
Other non-cash items	27,322	34,910
Non-operating items	27,989	17,863
<b>Operating profit before changes in working capital</b>	<b>313,329</b>	<b>354,497</b>
Changes in working capital:		
Change in inventories	(79,423)	(170,975)
Change in trade and other receivables	30,073	(397,101)
Change in trade and other payables	(15,390)	330,224
Interest received	6,467	3,514
Tax paid	(45,638)	(43,260)
<b>Net cash (used in)/from operating activities</b>	<b>209,418</b>	<b>76,899</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(216,155)	(148,511)
Proceeds from disposal of property, plant and equipment	4,235	6,656
Proceeds from disposal of a subsidiary	38,316	--
Change in pledged deposits	4,451	(37,395)
Prepayments	(3,660)	(1,280)
Acquisition of subsidiary	--	(3,570)
Other investments	(22,284)	(48,443)
<b>Net cash (used in)/from investing activities</b>	<b>(195,097)</b>	<b>(232,543)</b>
<b>Cash flows from financing activities</b>		
Bank borrowings	(69,102)	245,127
Dividend paid to owners of the Company	(73,407)	(65,153)
Proceeds from issuance of shares	234,422	22,415
Funds from non-controlling interests	20,845	1,734
<b>Net cash (used in)/from financing activities</b>	<b>112,758</b>	<b>204,123</b>
Exchange differences on translation of the financial statements of foreign operations	(33,858)	28,687
<b>Net change in cash and cash equivalents</b>	<b>93,221</b>	<b>77,166</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>285,654</b>	<b>199,230</b>
Foreign exchange differences on opening balances	(16,026)	9,258
<b>Cash and cash equivalents at end of period</b>	<b>362,849</b>	<b>285,654</b>
<b>Cash and cash equivalent comprise:</b>		
Cash and bank balances	307,471	299,060
Deposit with licensed banks	67,270	513
Bank overdrafts	(11,892)	(13,919)
	<b>362,849</b>	<b>285,654</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 twelve months period ended 31 July 2018 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 2017 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 September 2018.

## **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 2017.

## **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 2017.

## **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 493.31 million ordinary shares pursuant to the exercise of share options under the Company's Employees Share Option Scheme, conversion of Warrants and bonus issue.

## **7. Dividends paid**

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

- (a) a fourth interim dividend of 1.0 sen per ordinary share totalling RM12,263,284 in respect of the financial year ended 31 July 2017 on 27 October 2017;
- (b) a final dividend of 1.0 per ordinary share totalling RM12,994,134 in respect of the financial year ended 31 July 2017 on 30 January 2018;
- (c) a first interim dividend of 1.5 per ordinary share totalling RM19,781,797 in respect of the financial year ending 31 July 2018 on 12 March 2018;
- (d) a second interim dividend of 1.5 per ordinary share totalling RM19,914,165 in respect of the financial year ending 31 July 2018 on 27 April 2018; and
- (e) a third interim dividend of 0.5 per ordinary share totalling RM8,453,892 in respect of the financial year ending 31 July 2018 on 31 July 2018.

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## 8. Segment information

(a) Information about reportable segments

	12 months ended 31 July 2018			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	3,088,179	303,986	692,999	4,085,164
Inter-segment revenue	77	-	411	488
Segment profit/(loss) before tax	196,788	3,165	(19,101)	180,852

	12 months ended 31 July 2017			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	2,294,381	182,285	803,451	3,280,117
Inter-segment revenue	2,984	-	1,172	4,156
Segment profit/(loss) before tax	204,035	(5,066)	17,426	216,395

(b) Reconciliation of reportable segment profit or loss

	12 months ended 31 July	
	2018 RM'000	2017 RM'000
Total profit for reportable segments	180,852	216,395
Other non-reportable segments	2,150	6,540
Elimination of inter-segment profits	-	973
Share of profit of associate not included in reportable segments	(6,635)	(235)
Consolidated profit before tax	176,367	223,673

## 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.

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## 11. Contingent liabilities and contingent assets

The Group does not have any contingent liabilities and contingent assets as at 31 July 2018.

## 12. Capital Commitments

	<b>31.07.2018</b> <b>RM'000</b>
<b>Property, plant and equipment</b>	
Contracted but not provided for	<u>53,818</u>

## 13. Related party transactions

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

	<b>12 months ended</b> <b>31 July</b>	
	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
<b>Subsidiaries in which certain Directors have financial interest</b>		
- Purchases	438	1,207
- Sales	<u>55</u>	<u>913</u>
<b>A company which is wholly owned by close family member of certain Directors</b>		
- Purchases	<u>4,399</u>	<u>3,187</u>
<b>A company in which spouse of a Director has financial interest</b>		
- Purchases	<u>9,152</u>	<u>31,408</u>
<b>Associates</b>		
- Sales	<u>2,469</u>	<u>5,184</u>
<b>A company which is controlled by close family member of a Director</b>		
- Sub-contracting fee payable	<u>4,226</u>	<u>4,641</u>
<b>A company which is controlled by a Director</b>		
- Operating lease charges and management fee payable	<u>5,068</u>	<u>5,012</u>
<b>A company which is controlled by close family member of a key management personnel</b>		
- Repair and maintenance services payable	<u>622</u>	<u>981</u>
<b>Remuneration paid to staff who are close family member of certain Directors</b>	<u>2,655</u>	<u>2,918</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 RM1,010.9 million, a marginal increase of RM27.6 million or 2.8% as compared to the previous corresponding quarter. Profit before tax, meanwhile, decreased 47.6% or RM22.8 million to RM25.0 million over the same period.

For the financial year ended 31 July 2018, the Group recorded a revenue of RM4,089.2 million as compared to RM3,281.4 million recorded in the preceding year. Profit before tax stood at RM176.4 million, a decline of 21.1% or RM47.3 million over the same period.

The reduced earnings for the current quarter despite higher revenue was mainly attributable to the followings:-

	Individual 3 months ended 31 July		Cumulative 12 months ended 31 July	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loss on disposal of a subsidiary	16,936	--	16,936	--
Net foreign exchange (gain)/loss	5,263	(2,541)	(16,840)	(8,935)
Impairment loss on properties	3,000	--	3,000	--
Revaluation deficits on properties	--	12,009	--	12,009
Impairment on other investments	--	4,002	--	4,002
Share of loss/(profit) of associates	6,977	(1,411)	6,635	235

The reduced earnings for the cumulative period despite higher revenue was mainly due to lower gross margin caused by higher material prices as well as labour cost, and initial setup and tests costs incurred in the earlier quarters for the Malaysian operation coupled with the items tabulated above.

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

	Individual Quarter 31 July		Cumulative Quarters 31 July	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Revenue</b>				
Malaysia	801,122	737,038	3,088,179	2,294,381
Indonesia	62,034	70,578	303,986	182,285
China	145,871	176,792	692,999	803,451
<b>Profit/(loss) before tax</b>				
Malaysia	56,902	46,813	196,788	204,035
Indonesia	(1,066)	(11,781)	3,165	(5,066)
China	(26,854)	(1,713)	(19,101)	17,426

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## 14. Review of performance (cont'd)

### Malaysia segment

Malaysia segment posted 8.7% increase in revenue in the current quarter by comparison to previous year corresponding quarter mainly due to higher sales orders from key MNC customers, which offset the decline in revenue from a major US customer. This led to higher profit before tax achieved.

For the cumulative quarters, Malaysia segment recorded lower profit before tax despite higher sales orders from key customers, largely owing to lower gross margin caused by higher material prices as well as labour cost. Other contributing factors include initial setup and testing costs incurred in the earlier quarters as new assembly lines came on-stream, plus the significant reduction in contribution from the US customer in the third quarter following the planned cessation of certain models. Production of new models for this customer has subsequently commenced during the current quarter under review.

### Indonesia segment

Indonesia segment recorded lower loss before tax for the quarter under review mainly due to absence of revaluation deficit on factory building of RM11.7 million following revaluation exercise carried out in preceding year. The decline in revenue, meanwhile, was due to lower sales volume coupled with weakening of Indonesian Rupiah.

For cumulative quarters, Indonesia segment recorded profit before tax largely owing to similar reason mentioned above. The 66.8% or RM121.7 million increase in revenue was largely a result of change in billing from consignment basis to turnkey manufacturing for a customer.

### China segment

China segment recorded lower revenue for the current quarter and cumulative quarters as a result of lower sales orders completed. Loss incurred for the current quarter and cumulative quarter was mainly due to loss on disposal of a subsidiary amounting to RM16.9 million, in addition to profit margin pressure from higher raw materials and labour costs as well as difficulty to pass on increased costs to customers given the competitive operating environment.

## 15. Variation of results against preceding quarter

	<b>Current Quarter</b>	<b>Preceding Quarter</b>
	<b>31 July</b>	<b>30 April</b>
	<b>2018</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	1,010,936	879,811
Operating profit	37,181	33,954
Profit before tax	25,048	28,398
Profit attributable to owners of the Company	38,441	21,055

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## 15. Variation of results against preceding quarter (cont'd)

For the current quarter under review, the Group recorded a lower profit before tax of RM25.0 million as compared to RM28.4 million in the preceding quarter despite higher revenue was mainly due to the followings:-

	<b>Current Quarter</b>	<b>Preceding Quarter</b>
	<b>31 July</b>	<b>30 April</b>
	<b>2018</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Loss on disposal of a subsidiary	16,936	--
Net foreign exchange (gain)/loss	5,263	(11,682)
Impairment loss on properties	3,000	--
Share of loss of associates	6,977	791

## 16. Current year prospects

For the Malaysia segment, the box-built orders from key customers are expected to broadly sustain into the next financial year. Improving overall operational efficiency remains a key focus amidst the tough operating environment of rising materials and labour costs. Meanwhile, our production capacity expansion plans are currently ongoing. As such, we are actively in discussions with existing as well as prospective customers to secure new orders.

Overall prospects of the Group remain positive underpinned by the anticipated growth in the Malaysia segment. Nevertheless, management is cognizant that uncertainties at the macro-environment level, which include the US-China trade war, shift in consumer sentiments, fluctuations in foreign exchange rates and changes in regulations may have impact on the Group's operations.

Notwithstanding the challenging environment, with prudent management, coupled with continued strong support from existing customers, the Board is optimistic that the Group will perform satisfactorily for the next financial year.

## 17. Profit forecast

Not applicable.

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## 18. Tax expense

	Individual 3 months ended 31 July		Cumulative 12 months ended 31 July	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tax expense				
Malaysia - Current year	12,312	(1,860)	41,514	39,154
- Prior years	(839)	217	(839)	217
Overseas - Current year	(3,259)	(541)	(1,578)	7,634
- Prior years	240	944	240	944
	<u>8,454</u>	<u>(1,240)</u>	<u>39,337</u>	<u>47,949</u>
Deferred tax expense				
Malaysia - Current year	(1,493)	15,398	5,293	20,543
- Prior years	(894)	236	(894)	236
Overseas - Current year	(4,800)	(2,171)	(5,603)	(2,872)
	<u>(7,187)</u>	<u>13,463</u>	<u>(1,204)</u>	<u>17,907</u>
	<u>1,267</u>	<u>12,223</u>	<u>38,133</u>	<u>65,856</u>

The effective tax rate of the Group for the financial year-to-date was lower than the statutory tax rate mainly due to utilisation of reinvestment allowance.

## 19. Status of uncompleted corporate proposals

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

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## 20. Borrowing and debt securities

	31.07.2018 RM'000	31.07.2017 RM'000
<b>Non-current</b>		
<b><i>Secured</i></b>		
Term loans	7,792	34,040
Finance lease liabilities	15,324	18,792
<b><i>Unsecured</i></b>		
Term loans	70,642	66,217
	<u>93,758</u>	<u>119,049</u>
<b>Current</b>		
<b><i>Secured</i></b>		
Term loan	24,728	26,035
Trust receipts	108,787	88,410
Finance lease liabilities	8,163	6,922
Bank overdraft	11,892	13,919
Short term loan	--	19,080
<b><i>Unsecured</i></b>		
Term loans	38,104	34,566
Bankers' acceptance	131,923	202,356
Trust receipts	180,226	167,142
Short term loan	32,867	14,402
Revolving credit	15,000	15,000
	<u>551,690</u>	<u>587,832</u>
	<u>645,448</u>	<u>706,881</u>

Borrowings denominated in US Dollar amounted to RM293.2 million (31.7.2017 : RM168.4 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		12 months ended	
	31 July		31 July	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period is arrived at after charging/(crediting)</b>				
Depreciation and amortisation	21,477	21,470	81,651	78,051
Net foreign exchange (gain)/loss	5,263	(2,541)	(16,840)	(8,935)
Loss on disposal of property, plant and equipment	278	1,007	758	1,413
Revaluation deficits on properties	--	12,009	--	12,009
Impairment loss on properties	3,000	--	3,000	--
Impairment loss on other investment	--	4,002	--	4,002
Loss on disposal of a subsidiary	16,936	--	16,936	--

## 23. Dividends

- A fourth interim dividend of 0.6 sen per ordinary share amounting to approximately RM10.2 million was declared on 25 September 2018 for the financial year ended 31 July 2018 and will be paid on 31 October 2018 to shareholders whose names appear on the Company's Record of Depositors on 16 October 2018.
- The Board is proposing for the shareholders' approval at the forthcoming Annual General Meeting, a final dividend of 0.6 sen per ordinary share for the financial year ended 31 July 2018. The details of the book closure date and payment date will be announced at a later stage.
- The total dividend per share for the current financial year is 4.7 sen (previous year corresponding period: 5.9 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 RM38.4 million and RM150.8 million respectively and the weighted average number of ordinary shares of 1,680.924 million and 1,626.192 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 RM38.4 million and RM150.8 million respectively and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 1,778.170 million and 1,760.432 million respectively.