

V.S. Industry Berhad

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

Interim Financial Report
31 October 2013

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated statement of financial position As at 31 October 2013 – unaudited

	31.10.2013 RM'000	31.07.2013 RM'000
Assets		
Property, plant and equipment	601,285	615,166
Prepaid lease payments	86,149	89,012
Investment properties	3,600	3,600
Investment in associates	8,918	9,021
Deferred tax assets	1,157	1,190
Total non-current assets	701,109	717,989
Inventories	177,606	177,760
Trade and other receivables	413,497	410,526
Tax recoverable	880	880
Cash and cash equivalents	86,677	97,288
Total current assets	678,660	686,454
Total assets	1,379,769	1,404,443
Equity		
Share capital	182,327	182,327
Reserves	297,953	297,319
Total equity attributable to owners of the Company	480,280	479,646
Non-controlling interests	112,762	117,224
Total equity	593,042	596,870
Liabilities		
Long term payables	4,322	4,322
Loans and borrowings	142,732	150,590
Deferred tax liabilities	59,901	60,768
Total non-current liabilities	206,955	215,680
Trade and other payables	337,450	375,276
Loans and borrowings	235,785	211,167
Taxation	6,537	5,450
Total current liabilities	579,772	591,893
Total liabilities	786,727	807,573
Total equity and liabilities	1,379,769	1,404,443
Net assets per share of RM1.00 each	2.65	2.65

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Condensed consolidated statement of comprehensive income for the period ended 31 October 2013 - unaudited

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue	437,263	327,839	437,263	327,839
Cost of sales	(391,804)	(293,897)	(391,804)	(293,897)
Gross profit	45,459	33,942	45,459	33,942
Operating expenses	(32,392)	(19,717)	(32,392)	(19,717)
Net other income/(expenses)	758	445	758	445
Operating profit	13,825	14,670	13,825	14,670
Finance costs	(3,994)	(1,594)	(3,994)	(1,594)
Interest income	199	281	199	281
Share of profit/(loss) of associates, net of tax	150	(2,892)	150	(2,892)
Profit before tax	10,180	10,465	10,180	10,465
Tax expense	(2,712)	(2,678)	(2,712)	(2,678)
Profit for the period	7,468	7,787	7,468	7,787
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(5,933)	(1,963)	(5,933)	(1,963)
Total comprehensive income for the period	1,535	5,824	1,535	5,824
Profit attributable to:				
Owners of the Company	9,562	7,663	9,562	7,663
Non-controlling interests	(2,094)	124	(2,094)	124
Profit for the period	7,468	7,787	7,468	7,787

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Condensed consolidated statement of comprehensive income for the period ended 31 October 2013 – unaudited (Cont'd)

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total comprehensive income attributable to:				
Owners of the Company	5,993	5,688	5,993	5,688
Non-controlling interests	(4,458)	136	(4,458)	136
Total comprehensive income for the period	<u>1,535</u>	<u>5,824</u>	<u>1,535</u>	<u>5,824</u>
Basic earnings per ordinary share (sen)	<u>5.28</u>	<u>4.23</u>	<u>5.28</u>	<u>4.23</u>
Diluted earnings per ordinary share (sen)	<u>anti-dilutive</u>	<u>anti-dilutive</u>	<u>anti-dilutive</u>	<u>anti-dilutive</u>

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Condensed consolidated statement of changes in equity for the period ended 31 October 2013 - 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 2013	182,327	71,002	226,317	479,646	117,224	596,870
Foreign currency translation differences for foreign operations	--	(3,569)	--	(3,569)	(2,364)	(5,933)
Profit for the period	--	--	9,562	9,562	(2,094)	7,468
Total comprehensive income for the period	--	(3,569)	9,562	5,993	(4,458)	1,535
Share buy back	--	(6)	--	(6)	--	(6)
Equity settled share-based transactions	--	83	--	83	(4)	79
Dividends to shareholders	--	--	(5,436)	(5,436)	--	(5,436)
Total transactions with owners of the Group	--	77	(5,436)	(5,359)	(4)	(5,363)
Realisation of revaluation reserve	--	(881)	881	--	--	--
At 31 October 2013	182,327	66,629	231,324	480,280	112,762	593,042

	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 2012	182,327	61,976	166,188	410,491	430	410,921
Foreign currency translation differences for foreign operations	--	(1,975)	--	(1,975)	12	(1,963)
Profit for the period	--	--	7,663	7,663	124	7,787
Total comprehensive income for the period	--	(1,975)	7,663	5,688	136	5,824
Share buy back	--	(16)	--	(16)	--	(16)
Equity settled share-based transactions	--	184	--	184	1	185
Dividends to shareholders	--	--	(10,873)	(10,873)	--	(10,873)
Total transactions with owner of the Group	--	168	(10,873)	(10,705)	1	(10,704)
Realisation of revaluation reserve	--	(222)	222	--	--	--
At 31 October 2012	182,327	59,947	163,200	405,474	567	406,041

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Condensed consolidated statement of cash flows for the period ended 31 October 2013 - unaudited

	3 months ended 31 October	
	2013 RM'000	2012 RM'000
Cash flows from operating activities		
Profit before tax	10,180	10,465
Adjustments for:		
Depreciation	15,505	7,150
Other non-cash items	551	4
Non-operating items	3,282	4,021
Operating profit before changes in working capital	29,518	21,640
Changes in working capital:		
Change in inventories	154	6,552
Change in trade and other receivables	(2,971)	35,007
Change in trade and other payables	(27,017)	(28,235)
Interest received	199	346
Tax paid	(2,459)	(3,688)
Net cash (used in)/from operating activities	(2,576)	31,622
Cash flows from investing activities		
Acquisition of property, plant and equipment	(10,907)	(9,001)
Proceeds from disposal of property, plant and equipment	162	1,261
Decrease in pledged deposit placed with licensed banks	1,402	--
Repayment of loan to associate	--	1,899
Net cash (used in)/from investing activities	(9,343)	(5,841)
Cash flows from financing activities		
Bank borrowings	11,916	(15,726)
Dividend paid to owners of the Company	(5,436)	(10,873)
Repurchase of treasury shares	(6)	(16)
Net cash (used in)/from financing activities	6,474	(26,615)
Exchange differences on translation of the financial statements of foreign operations	(3,569)	(1,975)
Net change in cash and cash equivalents	(9,014)	(2,809)
Cash and cash equivalents at beginning of period	77,843	56,978
Foreign exchange differences on opening balances	(1,491)	(672)
Cash and cash equivalents at end of period	67,338	53,497
Cash and cash equivalent comprise:		
Cash and bank balances	71,747	41,150
Deposit with licensed banks	6,916	14,337
Bank overdrafts	(11,325)	(1,990)
	67,338	53,497

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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 three months period ended 31 October 2013 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 31 December 2013.

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	1.28	6,439

As at the date of this interim report, a total of 1,124,336 of the repurchased shares are being held as treasury shares and carried at cost.

7. Dividends paid

The Company paid 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.

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8. Segment information

(a) Information about reportable segments

	3 months ended 31 October 2013			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	276,657	16,712	143,608	436,977
Segment profit/(loss) before tax	13,783	798	(3,129)	11,452

	3 months ended 31 October 2012			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	299,433	25,279	--	324,712
Inter-segment revenue	354	--	--	354
Segment profit/(loss) before tax	10,485	2,555	--	13,040

(b) Reconciliation of reportable segment profit or loss

	3 months ended 31 October	
	2013 RM'000	2012 RM'000
Total profit for reportable segments	11,452	13,040
Other non-reportable segments	(831)	264
Elimination of inter-segment profits	(441)	53
Share of profit of associate not included in reportable segments	-	(2,892)
Consolidated profit before tax	10,180	10,465

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.

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11. Contingent liabilities and contingent assets

The Group does not have any contingent liabilities and contingent assets as at 31 October 2013.

12. Capital Commitments

	31.10.2013 RM'000
Property, plant and equipment	
Contracted but not provided for	<u>2,001</u>

13. Related party transactions

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

	3 months ended 31 October	
	2013 RM'000	2012 RM'000
Associates		
- Sales	107	-
- Purchases	<u>-</u>	<u>432</u>
A company in which certain Directors have substantial financial interest		
- Rental payable	<u>58</u>	<u>58</u>
A company which is wholly owned by close family member of certain Directors		
- Sales commission income/sales	286	512
- Purchases	<u>626</u>	<u>409</u>
Companies in which a major shareholder has financial interest		
- Purchases	<u>1,826</u>	<u>916</u>
A company which is controlled by close family member of a Director		
- Sub-contracting fee payable	<u>2,427</u>	<u>-</u>
A company which is controlled by a Director		
- Operating lease charges and management fee payable	<u>1,049</u>	<u>-</u>
A company which is controlled by close family member of a key management personnel		
- Repair and maintenance services payable	<u>104</u>	<u>-</u>
Remuneration paid to staff who are close family member of certain Directors	<u>287</u>	<u>189</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 higher revenue of RM437.3 million as compared to RM327.8 million in the preceding year's corresponding quarter, whilst profit before tax was RM10.2 million versus RM10.5 million previously.

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

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

	Individual Quarter 31 October	
	2013 RM'000	2012 RM'000
Revenue		
Malaysia	276,657	299,433
Indonesia	16,712	25,279
China	143,608	-
Profit/(loss) before tax		
Malaysia	13,783	10,485
Indonesia	798	2,555
China	(3,129)	-

Malaysia segment

The higher profit before tax despite decrease in revenue for the current quarter under review was mainly due to improved sales mix.

Indonesia segment

The lower profit before tax for the current quarter under review was mainly attributable to lower sales orders from key customers.

China segment

The associate became a subsidiary effective 10 July 2013.

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15. Variation of results against preceding quarter

For the current quarter under review, the Group recorded a profit before tax of RM10.2 million as compared to profit before tax of RM38.8 million in the preceding quarter. Included in the preceding quarter was net gain of RM30.4 million arising from acquisition of an additional 17.18% equity interest in V.S. International Group Limited resulting in it becoming a subsidiary.

By excluding the abovementioned one-off item, the Group recorded a profit before tax of RM8.4 million in the preceding quarter. The higher profit in the current quarter was mainly due to lower losses incurred by the China operations in the current quarter under review.

16. Current year prospects

The Board is mindful of the continuing challenges faced by the global economy. While the Group is experiencing reducing orders from an existing key customer due to extreme competition, it has developed a new key customer in recent years which is expected to contribute significantly to the future growth of the Group.

17. Profit forecast

Not applicable.

18. Tax expense

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Tax expense				
Malaysia – Current period	1,625	2,605	1,625	2,605
Overseas – Current period	1,139	716	1,139	716
	2,764	3,321	2,764	3,321
Deferred tax expense				
Malaysia – Current period	131	(643)	131	(643)
Overseas – Current period	(183)	-	(183)	-
	(52)	(643)	(52)	(643)
	<u>2,712</u>	<u>2,678</u>	<u>2,712</u>	<u>2,678</u>

The effective tax for the financial year-to-date is higher than the statutory tax rate due to non-deductible expenses.

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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

	31.10.2013 RM'000	31.07.2013 RM'000
Non-current		
<i>Secured</i>		
Term loans	88,809	94,584
Finance lease liabilities	213	251
<i>Unsecured</i>		
Term loans	53,710	55,755
	<u>142,732</u>	<u>150,590</u>
Current		
<i>Secured</i>		
Term loan	12,613	12,974
Bank overdraft	9,484	10,029
Short term loan	25,875	26,438
Trust receipts	31,506	24,038
Finance lease liabilities	190	395
<i>Unsecured</i>		
Term loans	20,091	20,243
Bank overdraft	1,841	-
Bankers' acceptance	89,280	81,794
Trust receipts	14,318	13,317
Short term loan	25,587	16,939
Revolving credit	5,000	5,000
	<u>235,785</u>	<u>211,167</u>
	<u>378,517</u>	<u>361,757</u>

Borrowings denominated in US Dollar amounted to RM148.2 million.
(31.7.2013 : RM143.6 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	
	31 October	
	2013	2012
	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting)		
Depreciation of property, plant and equipment	15,505	7,150
Net foreign exchange (gain)/loss	293	(970)
(Gain)/Loss on disposal of property, plant and equipment	(36)	(213)
Derivative (gain)/loss	(876)	969

23. Dividends

- (a) A first interim single tier dividend of 2.2 sen per ordinary share of RM1.00 each amounting to RM4.0 million was declared on 31 December 2013 for the financial year ending 31 July 2014 and will be paid on 28 January 2014 to shareholders whose names appear on the Company's Record of Depositors on 20 January 2014.
- (b) The total dividend per share for the current financial year is 2.2 sen (Quarter ended 31 October 2012: 2.0 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 shareholders of RM9.6 million and the weighted average number of ordinary shares of 181,205,000.

(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.

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25. Disclosure of realised and unrealised profits/losses

	Current Quarter 31.10.2013	Preceding Quarter 31.07.2013
Total retained profits of the Company and its subsidiaries		
- Realised	128,780	125,354
- Unrealised	(17,460)	(17,057)
	<hr/> 111,320	<hr/> 108,297
Total share of retained profit from associates		
- Realised	(4,972)	(4,972)
	<hr/> 106,348	<hr/> 103,325
Consolidation adjustments	124,976	122,992
Total group retained profit as per consolidated accounts	<hr/> 231,324	<hr/> 226,317