

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

**Interim Financial Report**  
**31 October 2014**

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

## Condensed consolidated statement of financial position As at 31 October 2014 – unaudited

	31.10.2014 RM'000	31.07.2014 RM'000
<b>Assets</b>		
Property, plant and equipment	606,213	600,811
Prepaid lease payments	87,379	85,321
Investment properties	3,600	3,600
Investment in associates	8,442	8,187
Intangible assets	2,157	2,150
Deferred tax assets	13,003	8,966
<b>Total non-current assets</b>	<b>720,794</b>	<b>709,035</b>
Inventories	226,233	269,794
Trade and other receivables	420,855	447,550
Tax recoverable	1,846	1,846
Cash and cash equivalents	178,139	123,464
<b>Total current assets</b>	<b>827,073</b>	<b>842,654</b>
<b>Total assets</b>	<b>1,547,867</b>	<b>1,551,689</b>
<b>Equity</b>		
Share capital	199,720	186,355
Reserves	382,628	339,805
<b>Total equity attributable to owners of the Company</b>	<b>582,348</b>	<b>526,160</b>
<b>Non-controlling interests</b>	<b>120,354</b>	<b>114,829</b>
<b>Total equity</b>	<b>702,702</b>	<b>640,989</b>
<b>Liabilities</b>		
Long term payables	4,322	4,322
Loans and borrowings	137,032	140,026
Deferred tax liabilities	45,958	45,317
<b>Total non-current liabilities</b>	<b>187,312</b>	<b>189,665</b>
Trade and other payables	345,400	437,029
Loans and borrowings	296,175	269,765
Taxation	16,278	9,613
Dividend payable	--	4,628
<b>Total current liabilities</b>	<b>657,853</b>	<b>721,035</b>
<b>Total liabilities</b>	<b>845,165</b>	<b>910,700</b>
<b>Total equity and liabilities</b>	<b>1,547,867</b>	<b>1,551,689</b>
<b>Net assets per share of RM1.00 each</b>	<b>2.93</b>	<b>2.84</b>

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

## Condensed consolidated statement of comprehensive income for the period ended 31 October 2014 - unaudited

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Revenue</b>	544,558	437,263	544,558	437,263
Cost of sales	<u>(460,302)</u>	<u>(391,804)</u>	<u>(460,302)</u>	<u>(391,804)</u>
<b>Gross profit</b>	84,256	45,459	84,256	45,459
Operating expenses	(37,547)	(32,392)	(37,547)	(32,392)
Net other income/(expenses)	<u>883</u>	<u>758</u>	<u>883</u>	<u>758</u>
<b>Results from operating activities</b>	47,592	13,825	47,592	13,825
Finance costs	(5,138)	(3,994)	(5,138)	(3,994)
Interest income	229	199	229	199
Share of profit/(loss) of associates, net of tax	<u>18</u>	<u>150</u>	<u>18</u>	<u>150</u>
<b>Profit/(Loss) before tax</b>	42,701	10,180	42,701	10,180
Tax expense	<u>(8,463)</u>	<u>(2,712)</u>	<u>(8,463)</u>	<u>(2,712)</u>
<b>Profit for the period</b>	<u>34,238</u>	<u>7,468</u>	<u>34,238</u>	<u>7,468</u>
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations	<u>10,953</u>	<u>(5,933)</u>	<u>10,953</u>	<u>(5,933)</u>
<b>Total comprehensive income for the period</b>	<u>45,191</u>	<u>1,535</u>	<u>45,191</u>	<u>1,535</u>
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	35,224	9,562	35,224	9,562
Non-controlling interests	<u>(986)</u>	<u>(2,094)</u>	<u>(986)</u>	<u>(2,094)</u>
<b>Profit/(Loss) for the period</b>	<u>34,238</u>	<u>7,468</u>	<u>34,238</u>	<u>7,468</u>

# V.S. Industry Berhad

(Company No. 88160-P)

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## Condensed consolidated statement of comprehensive income for the period ended 31 October 2014 – unaudited (Cont'd)

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	41,546	5,993	41,546	5,993
Non-controlling interests	<u>3,645</u>	<u>(4,458)</u>	<u>3,645</u>	<u>(4,458)</u>
<b>Total comprehensive income for the period</b>	<u>45,191</u>	<u>1,535</u>	<u>45,191</u>	<u>1,535</u>
<b>Basic earnings per ordinary share (sen)</b>	<u>17.94</u>	<u>5.28</u>	<u>17.94</u>	<u>5.28</u>
<b>Diluted earnings per ordinary share (sen)</b>	<u>17.32</u>	<u>anti-dilutive</u>	<u>17.32</u>	<u>anti-dilutive</u>

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## Condensed consolidated statement of changes in equity for the period ended 31 October 2014 - 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 2013</b>	186,355	71,942	267,863	526,160	114,829	640,989
Foreign currency translation differences for foreign operations	--	6,322	--	6,322	4,631	10,953
Profit for the period	--	--	35,224	35,224	(986)	34,238
Total comprehensive income for the period	--	6,322	35,224	41,546	3,645	45,191
Share buy back	--	(46)	--	(46)	--	(46)
Equity settled share-based transactions	13,365	8,496	--	21,861	220	22,081
Dividends to shareholders	--	--	(6,938)	(6,938)	--	(6,938)
Increase in share capital in subsidiaries	--	--	(235)	(235)	1,660	1,425
Total transactions with owners of the Group	13,365	8,450	(7,173)	14,642	1,880	16,522
Realisation of revaluation reserve	--	(451)	451	--	--	--
<b>At 31 October 2014</b>	199,720	86,263	296,365	582,348	120,354	702,702

	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 2013</b>	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	--	--	--
<b>At 31 October 2013</b>	182,327	66,629	231,324	480,280	112,762	593,042

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## Condensed consolidated statement of cash flows for the period ended 31 October 2014 - unaudited

	3 months ended 31 October	
	2014 RM'000	2013 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	42,701	10,180
Adjustments for:		
Depreciation and amortisation	15,153	15,505
Other non-cash items	1,205	551
Non-operating items	4,399	3,282
<b>Operating profit before changes in working capital</b>	<b>63,458</b>	<b>29,518</b>
Changes in working capital:		
Change in inventories	43,561	154
Change in trade and other receivables	26,688	(2,971)
Change in trade and other payables	(99,805)	(27,017)
Interest received	229	199
Tax paid	(5,194)	(2,459)
<b>Net cash (used in)/from operating activities</b>	<b>28,937</b>	<b>(2,576)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(12,660)	(10,907)
Proceeds from disposal of property, plant and equipment	245	162
Increase in pledged deposit placed with licensed bank	(792)	1,402
<b>Net cash (used in)/from investing activities</b>	<b>(13,207)</b>	<b>(9,343)</b>
<b>Cash flows from financing activities</b>		
Bank borrowings	17,594	11,916
Dividend paid to owners of the Company	(11,566)	(5,436)
Proceeds from issuance of shares	21,254	--
Funds from non-controlling interests	1,424	--
Repurchase of treasury shares	(46)	(6)
<b>Net cash (used in)/from financing activities</b>	<b>28,660</b>	<b>6,474</b>
Exchange differences on translation of the financial statements of foreign operations	6,322	(3,569)
<b>Net change in cash and cash equivalents</b>	<b>50,712</b>	<b>(9,014)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>107,643</b>	<b>77,843</b>
Foreign exchange differences on opening balances	1,995	(1,491)
<b>Cash and cash equivalents at end of period</b>	<b>160,350</b>	<b>67,338</b>
<b>Cash and cash equivalent comprise:</b>		
Cash and bank balances	150,268	71,747
Deposit with licensed banks	18,395	6,916
Bank overdrafts	(8,313)	(11,325)
	<b>160,350</b>	<b>67,338</b>

# **V.S. Industry Berhad**

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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 2014 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 17 December 2014.

## **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

13,365,000 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 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.



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## 8. Segment information

(a) Information about reportable segments

	3 months ended 31 October 2014			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	387,818	20,130	136,535	544,483
Inter-segment revenue	230	--	2,748	2,978
Segment profit/(loss) before tax	44,101	682	(1,536)	43,247

	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	(3,279)	11,302

(b) Reconciliation of reportable segment profit or loss

	3 months ended 31 October	
	2014 RM'000	2013 RM'000
Total profit for reportable segments	43,247	11,302
Other non-reportable segments	(42)	(831)
Elimination of inter-segment profits	(522)	(441)
Share of profit of associate not included in reportable segments	18	150
Consolidated profit before tax	42,701	10,180

## 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 31 October 2014.

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## 12. Related party transactions

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

	3 months ended	
	31 October	
	2014	2013
	RM'000	RM'000
<b>Subsidiaries in which certain Directors have financial interest</b>		
- Purchases	1,004	107
- Sales	244	-
<b>A company which is wholly owned by close family member of certain Directors</b>		
- Sales commission income/sales	--	286
- Purchases	242	626
<b>A company in which certain Directors have substantial financial interest</b>		
- Rental payable	--	58
<b>Companies in which a major shareholder has financial interest</b>		
- Purchases	4,889	1,826
<b>Associates</b>		
- Sales	1,459	--
<b>A company which is controlled by close family member of a Director</b>		
- Sub-contracting fee payable	749	2,427
<b>A company which is controlled by a Director</b>		
- Operating lease charges and management fee payable	1,043	1,049
<b>A company which is controlled by close family member of a key management personnel</b>		
- Repair and maintenance services payable	115	104
<b>Remuneration paid to staff who are close family member of certain Directors</b>	302	287

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 first quarter ended 31 October 2014, the Group recorded a revenue of RM544.6 million, an increase of RM107.3 million or 24.5% as compared to the previous corresponding quarter. Profit before tax stood at RM42.7 million, grew by 318.6% or RM32.5 million over the same period. The improved earnings was mainly attributable to higher sales and better sales mix contributed by the Malaysian operations.

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

	Individual Quarter 31 October	
	2014 RM'000	2013 RM'000
<b>Revenue</b>		
Malaysia	387,818	276,657
Indonesia	20,130	16,712
China	136,535	143,608
<b>Profit/(loss) before tax</b>		
Malaysia	44,101	13,783
Indonesia	682	798
China	(1,536)	(3,279)

#### Malaysia segment

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

#### Indonesia segment

Despite increase in revenue, Indonesia segment recorded lower profit before tax 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 loss despite decrease in revenue for the current quarter mainly due to improved sales mix.

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## 14. Variation of results against preceding quarter

For the current quarter under review, the Group recorded a higher profit before tax of RM42.7 million as compared to profit before tax of RM21.3 million in the preceding quarter was mainly attributable to higher sales generated by the Malaysia operations as compared to the preceding quarter coupled with improved gross profit margin resulting from improved sales mix for the Malaysia operations.

## 15. Current year prospects

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

## 16. Profit forecast

Not applicable.

## 17. Tax expense

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Tax expense				
Malaysian - Current period	11,429	1,625	11,429	1,625
Overseas - Current period	1,022	1,139	1,022	1,139
	<u>12,451</u>	<u>2,764</u>	<u>12,451</u>	<u>2,764</u>
Deferred tax expense				
Malaysian - Current period	(4,039)	131	(4,039)	131
Overseas - Current period	51	(183)	51	(183)
	<u>(3,988)</u>	<u>(52)</u>	<u>(3,988)</u>	<u>(52)</u>
	<u>8,463</u>	<u>2,712</u>	<u>8,463</u>	<u>2,712</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.

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## 18. Status of uncompleted corporate proposals

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

## 19. Borrowing and debt securities

	31.10.2014 RM'000	31.07.2014 RM'000
<b>Non-current</b>		
<b><i>Secured</i></b>		
Term loans	79,226	80,132
Finance lease liabilities	1,216	112
<b><i>Unsecured</i></b>		
Term loans	56,590	59,782
	<u>137,032</u>	<u>140,026</u>
<b>Current</b>		
<b><i>Secured</i></b>		
Term loan	13,116	12,738
Bank overdraft	6,690	5,684
Short term loan	26,664	36,063
Trust receipts	35,428	31,751
Finance lease liabilities	851	55
<b><i>Unsecured</i></b>		
Term loans	19,060	19,875
Bank overdraft	1,623	1,453
Bankers' acceptance	127,194	114,838
Trust receipts	41,244	19,834
Short term loan	19,305	19,474
Revolving credit	5,000	8,000
	<u>296,175</u>	<u>269,765</u>
	<u>433,207</u>	<u>409,791</u>

Borrowings denominated in US Dollar amounted to RM173.9 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	
	31 October	
	2014	2013
	RM'000	RM'000
<b>Profit for the period is arrived at after charging/(crediting)</b>		
Depreciation and amortisation	15,153	15,505
Net foreign exchange (gain)/loss	(61)	293
(Gain)/Loss on disposal of property, plant and equipment	437	(36)
Derivative (gain)/loss on currency forward contracts	(15)	(876)

## 22. Dividends

- (a) A first interim single tier dividend of 3.0 sen per ordinary share of RM1.00 each amounting to approximately RM6.0 million was declared on 17 December 2014 for the financial year ending 31 July 2015 and will be paid on 16 March 2015 to shareholders whose names appear on the Company's Record of Depositors on 2 March 2015.
- (b) The total dividend per share for the current financial year is 3.0 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 RM35.2 million and the weighted average number of ordinary shares of 196,322,000.

### (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 RM35.2 million and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 203,361,000.

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

	<b>Current Quarter 31.10.2014</b>	<b>Preceding Quarter 31.07.2014</b>
Total retained profits of the Company and its subsidiaries		
- Realised	160,610	137,406
- Unrealised	8,637	4,058
	<hr/> 169,247	<hr/> 141,464
Total share of retained profit from associates		
- Realised	(4,965)	(4,983)
	<hr/> 164,282	<hr/> 136,481
Consolidation adjustments	132,083	131,382
Total group retained profit as per consolidated accounts	<hr/> <hr/> 296,365	<hr/> <hr/> 267,863