



V.S. Industry Berhad

(88160-P)

PRESS STATEMENT / SIARAN AKHBAR

(FOR IMMEDIATE RELEASE)

FY16 revenue up 12.3% to RM2.2 billion on sustained demand growth; expects sales orders to increase further going forward

Current quarter performance affected by one-off impairments

- Achieved higher revenue from majority of key customers in FY16.
- FY16 pre-tax profit was down 11.2%, mainly affected by one-off impairment losses, which were recognized in the fourth quarter results.
- In the absence of the impairments, operational performance would have been much higher in FY16 versus a year ago.
- Outlook for FY17 and beyond remains upbeat, having secured several major orders from customers, with more in the pipeline.

Johor Bahru, 28 September 2016 – V.S. Industry Berhad (“VS” or the “Group”) (“威鉞集团”) announced its 4th quarter financial results for the period ended 31 July 2016 (“4QFY16”).

The Group posted its highest ever revenue of RM2.2 billion for the financial year ended 31 July 2016 (“FY16”), which is an increase of 12.3% over the previous year. The double-digit growth rate was achieved on the back of robust increase in sales orders from majority of its key customers. All three geographical markets recorded higher turnover growth year-on-year – Malaysia (+12.1%), Indonesia (+47.3%) and China (+7.5%). Malaysia remains the largest top line contributor at 69%, followed by China (26%) and Indonesia (5%).

Pre-tax profit for the year, however, decreased 11.2% to RM141.9 million. The decline was mainly attributed to one-off impairments amounting to RM29.4 million that was recognized in 4QFY16 results, plus lower foreign exchange gains in FY16 versus the preceding year.

The impairments were related to i) provision for deposits paid for the then-proposed acquisition of 20%-stake in a solar power plant in the Inner Mongolia Autonomous Region, and ii) its 12.1% investment in London-listed Seeing Machines Limited (“SML”) based on the latter’s closing share price of GBP0.0413 on 31 July 2016 against the acquisition price of GBP0.052 in March 2016. Note that the share price of SML has since risen to GBP0.056 as at 27 September 2016.

Efforts are being made to recover the deposits paid for the proposed investment in solar power plant. Nevertheless, the provision was made at this juncture to reflect management’s prudent and conservative approach in assessing the collectability of the deposits.

Operationally, in the absence of the impairments and foreign exchange gains, performance would have seen much improvement in FY16 with pre-tax profit rising 28.6% by comparison to last year, as illustrated in Table 1 below.

Table 1: Adjusted Pre-tax Profit

	4QFY16	4QFY15	Variance	FY16	FY15	Variance
Pre-tax profit	8.9	57.1	-84.5%	141.9	159.7	-11.2%
Adjustements:						
Foreign exchange (gain)/loss	(3.3)	(21.4)		(10.4)	(34.6)	
Impairment - other investment	7.6	-		7.6	-	
Impairment - deposits	21.8	-		21.8	-	
Adjusted Pre-tax Profit	34.9	35.7	-2.2%	160.9	125.1	28.6%



Managing Director of VSI, Datuk S.Y. Gan (拿督颜森炎), commented, “We have received more orders in FY16 compared to FY15, a good sign to us as it means our customers continue to achieve brisk sales for their products. As our customers sustain their sales growth, we, as the Original Equipment Manufacturer (“OEM”) and Original Design Manufacturer (“ODM”), will certainly stand to benefit from the increased order flow.”

“Looking ahead, we are optimistic and upbeat about the Group’s prospects. During the year, we have successfully secured several major orders -- USD82 million contract to produce a new coffee brewer model that was fully designed by us; a committed minimum RM100 million orders per annum to manufacture water filtration-related products; as well as contract to produce a new air-purifier model, also an ODM product by us. Earnings from these contracts will come in from FY17 onwards” Datuk Gan added.

“Above these, what’s more exciting is that our Group has been awarded the vertical integration status by a key existing customer who is a world-renowned consumer electrical appliance brand. With this award, we shall be allocated substantial box-built or complete product assembly orders soon. This would further boost the Group’s earnings from FY17 onwards, elevating us to the next level of growth.”

“As for the impairments, they are one-off items, and the adverse impact is limited to our FY16 performance only. It is a conscious decision from our end to reflect the management prudence. Our prospects remain intact.”.

The Board has declared a 4th interim single tier dividend of 0.8 sen, and has proposed a final single tier dividend of another 0.8 sen, bringing total dividend in FY16 to 4.7 sen. The final dividend is subject to shareholders’ approval. It is noteworthy to mention that the calculation of dividend payout is based on



operational performance, excluding the impairments. The Group has a dividend policy of 40% payout of net profit.

About VS

VS is one of the world's top 50 Electronics Manufacturing Services (EMS) corporations, providing integrated manufacturing solutions to multinational corporations mainly from the Europe, USA and Japan. It has advanced manufacturing facilities in Malaysia, Indonesia, China and Vietnam. Backed by a team of highly skilled and innovative R&D personnel, VSI also serves as an Original Design Manufacturer (ODM) in addition to being Original Equipment Manufacturer (OEM). Its comprehensive services include high-precision printed circuit board assembly, plastic injection moulding, sub- and full-assembly as well as tool design and fabrication.

Released on behalf of V.S. Industry Berhad by Capital Front Investor Relations.

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