

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

Interim Financial Report
30 April 2009

V.S. Industry Berhad

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

Condensed consolidated balance sheet at 30 April 2009 - unaudited

	30.04.2009 RM'000	31.07.2008 RM'000
Assets		
Property, plant and equipment	281,575	292,907
Biological assets	29,628	24,414
Prepaid lease payments	10,999	11,343
Investment properties	7,000	7,000
Investment in associates	125,551	123,352
Loan to an associate	4,144	6,180
Deferred tax assets	6	6
Total non-current assets	458,903	465,202
Inventories	65,385	69,987
Trade and other receivables	141,355	179,209
Cash and cash equivalents	46,274	62,066
Total current assets	253,014	311,262
Total assets	711,917	776,464
Equity		
Share capital	179,702	179,702
Reserves	177,504	175,413
Total equity attributable to shareholders of the Company	357,206	355,115
Minority interest	17,034	17,712
Total equity	374,240	372,827
Liabilities		
Long term payables	4,322	4,322
Loans and borrowings	42,230	52,929
Deferred tax liabilities	24,659	26,085
Total non-current liabilities	71,211	83,336
Trade and other payables	130,851	173,470
Loans and borrowings	134,276	140,987
Taxation	1,339	5,844
Total current liabilities	266,466	320,301
Total liabilities	337,677	403,637
Total equity and liabilities	711,917	776,464
Net assets per share of RM1.00 each	1.99	1.98

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Condensed consolidated income statement for the period ended 30 April 2009 - unaudited

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	170,804	201,229	553,156	823,913
Cost of sales	<u>(154,756)</u>	<u>(173,619)</u>	<u>(477,043)</u>	<u>(697,790)</u>
Gross profit	16,048	27,610	76,113	126,123
Operating expenses	<u>(13,179)</u>	<u>(15,125)</u>	<u>(51,022)</u>	<u>(55,880)</u>
Operating profit	2,869	12,485	25,091	70,243
Finance costs	(1,833)	(2,256)	(5,912)	(7,098)
Interest income	138	207	555	643
Share of profit/(loss) after tax and minority interest of associates	<u>(4,962)</u>	<u>427</u>	<u>(7,816)</u>	<u>2,719</u>
(Loss)/Profit before tax	(3,788)	10,863	11,918	66,507
Tax expense	<u>(231)</u>	<u>(1,461)</u>	<u>(6,341)</u>	<u>(14,533)</u>
Net (loss)/profit for the period	<u>(4,019)</u>	<u>9,402</u>	<u>5,577</u>	<u>51,974</u>
Attributable to:				
Shareholders of the Company	(4,245)	9,780	6,597	52,074
Minority interests	<u>226</u>	<u>(378)</u>	<u>(1,020)</u>	<u>(100)</u>
Net (loss)/profit for the period	<u>(4,019)</u>	<u>9,402</u>	<u>5,577</u>	<u>51,974</u>
Earnings per share				
Basic (loss)/earnings per ordinary share (sen)	<u>(2.37)</u>	<u>5.52</u>	<u>3.68</u>	<u>29.31</u>

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Condensed consolidated statement of changes in equity for the period ended 30 April 2009 - unaudited

	Share capital RM'000	Non- distributable Reserves RM'000	Distributable Retained profits RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1 August 2008	179,702	63,739	111,674	355,115	17,712	372,827
Share buy back	--	(462)	--	(462)	--	(462)
Net gain/(loss) recognised directly in equity						
Exchange fluctuation on translation of foreign subsidiaries	--	4,930	--	4,930	(1,471)	3,459
Net profit for the period	--	--	6,597	6,597	(1,020)	5,577
Total recognised income and expense for the period	--	4,930	6,597	11,527	(2,491)	9,036
Dividend – 2008 Final	--	--	(8,974)	(8,974)	--	(8,974)
Increase in share capital in a subsidiary	--	--	--	--	1,813	1,813
At 30 April 2009	179,702	68,207	109,297	357,206	17,034	374,240
At 1 August 2007	143,762	31,885	122,042	297,689	17,228	314,917
Share buy back	--	(6,682)	--	(6,682)	--	(6,682)
Net gain/(loss) recognised directly in equity						
Exchange fluctuation on translation of foreign subsidiaries	--	(2,360)	--	(2,360)	(1,554)	(3,914)
Net profit for the period	--	--	52,074	52,074	(100)	51,974
Total recognised income and expense for the period	--	(2,360)	52,074	49,714	(1,654)	48,060
Dividend						
- 2007 Final	--	--	(17,747)	(17,747)	--	(17,747)
- 2007 Interim	--	--	(4,228)	(4,228)	--	(4,228)
			(21,975)	(21,975)	--	(21,975)
Increase in share capital in a subsidiary	--	--	--	--	828	828
Equity settled share-based transactions in an associate	--	1,036	--	1,036	--	1,036
At 30 April 2008	143,762	23,879	152,141	319,782	16,402	336,184

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Condensed consolidated cash flow statement for the period ended 30 April 2009 - unaudited

	9 months ended 30 April	
	2009 RM'000	2008 RM'000
Cash flows from operating activities		
Profit before tax	11,918	66,507
Adjustments for non-cash flow:		
Amortisation of prepaid lease payments	152	144
Depreciation	21,536	20,426
Other non-cash items	266	864
Non-operating items	13,002	3,477
Operating profit before working capital changes	46,874	91,418
Changes in working capital:		
Net change in current assets	42,401	13,107
Net change in current liabilities	(39,821)	(32,100)
Interest and tax paid	(14,437)	(17,126)
Net cash generated from operating activities	<u>35,017</u>	<u>55,299</u>
Cash flows from investing activities	<u>(21,041)</u>	<u>(45,432)</u>
Cash flows from financing activities		
Bank borrowings	(28,351)	11,478
Transactions with shareholders	(7,623)	(27,823)
Net cash used in financing activities	<u>(35,974)</u>	<u>(16,345)</u>
Exchange differences on translation of the financial statements of foreign operations	4,930	(2,360)
Net change in cash and cash equivalents	(17,068)	(8,838)
Cash and cash equivalents at beginning of period	61,134	56,783
Foreign exchange differences on opening balances	(763)	(186)
Cash and cash equivalents at end of period	<u>43,303</u>	<u>47,759</u>
Cash and cash equivalent comprise:		
Cash and bank balances	46,274	49,550
Bank overdrafts	(2,971)	(1,791)
	<u>43,303</u>	<u>47,759</u>

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A. Notes to the interim financial report

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (MASB).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements.

The preparation of an interim financial report in conformity with FRS 134, *Interim Financial Reporting* requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with FRSs.

The financial information relating to the financial year ended 31 July 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 July 2008 are available from the Company's registered office.

2. Seasonal or cyclical factors

The Group's operations are not significantly affected by any seasonal or cyclical factors.

3. 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.

4. Material changes in estimates

There are no material changes in estimates for the current quarter and financial year-to-date.

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5. 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)
August 2008	26,800	1.76	1.80	1.80	48,106
September 2008	40,900	1.58	1.64	1.63	66,556
October 2008	154,500	1.15	1.55	1.32	203,485
November 2008	7,000	1.24	1.25	1.25	8,764
February 2009	10,000	1.23	1.24	1.25	12,469
March 2009	130,500	0.90	0.98	0.94	122,745
	369,700			1.25	462,125

As at the date of this interim report, a total of 371,236 of the repurchased shares are being held as treasury shares and carried at cost.

6. Dividends paid

A final tax exempt dividend of 5 sen per ordinary share of RM1.00 each totalling RM8,973,569 in respect of the financial year ended 31 July 2008 was paid on 19 January 2009.

7. Segment information

	Period ended 30 April 2009	
	Revenue RM'000	Segment Result RM'000
Malaysia	504,847	23,903
Indonesia	37,535	511
Others	14,013	578
	556,395	24,992
Inter-segment elimination	(3,239)	99
	<u>553,156</u>	<u>25,091</u>
Finance cost		(5,912)
Interest income		555
Share of results of associates		(7,816)
Profit Before Tax		<u><u>11,918</u></u>

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8. 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.

9. 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.

10. Contingent liabilities and contingent assets

There are no contingent liabilities and contingent assets since the last annual balance sheet date.

11. Related party transactions

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

	9 months ended 30 April	
	2009 RM'000	2008 RM'000
Associates		
- Sales	30	--
- Purchases	3,182	8,426
- Sale of property, plant and equipment	--	103
- Interest receivable	300	346
	<u>300</u>	<u>346</u>
A company in which certain Directors have substantial financial interest		
- Rental payable	174	174
	<u>174</u>	<u>174</u>
A company which is wholly owned by close family member of certain Directors		
- Purchases	3,337	7,857
	<u>3,337</u>	<u>7,857</u>
Companies in which a major shareholder has financial interest		
- Purchases	2,380	2,996
	<u>2,380</u>	<u>2,996</u>
Remuneration paid to staff who are close family member of certain Directors		
	608	958
	<u>608</u>	<u>958</u>

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

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B. Additional information on interim financial report required by the Bursa Malaysia Listing Requirements

1. Review of performance

For the current quarter under review, the Group recorded a turnover of RM170.8 million as compared to RM201.2 million in the preceding year's corresponding quarter, whilst the Group incurred a loss before tax of RM3.9 million as compared to profit before tax of RM10.9 million previously. This was mainly due to lower sales volume, start-up costs associated with the production of key client's newly introduced models and share of losses from associates in the current quarter.

For the nine months period ended 30 April 2009, the Group recorded a turnover of RM553.2 million as compared to RM823.9 million of the corresponding period of the preceding year, whilst profit before tax was RM11.9 million versus RM66.5 million previously.

The decline in performance was mainly attributable to significant drop in sales volume resulted from the current global economic crisis, allowance for doubtful debts, allowance for slow moving inventories and unrealised foreign exchange loss in US Dollar denominated loan totalling RM6.3 million as well as share of losses from associates of RM7.8 million for the current nine months period.

2. Variation of results against preceding quarter

For the quarter under review, the Group recorded a loss before tax of RM3.8 million as compared to profit before tax of RM4.1 million in the preceding quarter mainly due to lower sales volume, start-up costs associated with the production of key client's newly introduced models and share of losses from associates.

3. Current year prospects

The Board expects the prospects for the remaining quarter of the current financial year to be challenging in view of the yet-to-be recovered economic condition in the region.

4. Profit forecast

Not applicable.

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5. Tax expense

	3 months ended 30 April		9 months ended 30 April	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Tax expense				
Malaysian- Current	1,086	1,602	6,907	13,032
Overseas- Current	45	--	827	--
	1,131	1,602	7,734	13,032
Deferred tax expense				
Malaysian- Current	(900)	(141)	(1,393)	1,501
	<u>(900)</u>	<u>(141)</u>	<u>(1,393)</u>	<u>1,501</u>
	<u>231</u>	<u>1,461</u>	<u>6,341</u>	<u>14,533</u>

The effective tax rate for the financial year-to-date is higher than the statutory tax rate due to non-deductible expenses and taxable income which is subject to different tax regime.

The effective tax rate in prior period was lower than the statutory tax rate due to utilisation of reinvestment allowance.

6. Unquoted investments and properties

There is no sale of unquoted investments and/or properties for the current quarter and financial year-to-date.

7. Quoted investments

There is no purchase or disposal of quoted securities for the current quarter and financial year-to-date.

8. Status of uncompleted corporate proposals

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

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9. Borrowing and debt securities

	30.04.2009 RM'000	31.07.2008 RM'000
Non-current		
<i>Secured</i>		
Term loans	142	483
Finance lease liabilities	5,903	2,410
	<u>6,045</u>	<u>2,893</u>
<i>Unsecured</i>		
Term loans	36,185	50,036
	<u>42,230</u>	<u>52,929</u>
Current		
<i>Secured</i>		
Term loans	397	410
Short term loan	3,296	2,329
Finance lease liabilities	2,434	1,236
	<u>6,127</u>	<u>3,975</u>
<i>Unsecured</i>		
Term loans	18,431	18,176
Bank overdraft	2,971	932
Revolving credit	26,687	25,524
Bankers' acceptance	80,060	92,380
	<u>134,276</u>	<u>140,987</u>
	<u>176,506</u>	<u>193,916</u>

The borrowings which are denominated in foreign currency are as follows:-

	RM'000
US Dollar	22,835
SG Dollar	390
Rupiah	57

10. Off balance sheet financial instruments

There are no financial instruments with off balance sheet risk as at the date of this quarterly report.

11. 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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12. Dividends

There is no dividend proposed for the current financial year (Previous year corresponding period: 6 sen tax exempt).

13. Earnings per share

(a) Basic earnings per share

The calculation of basic (loss)/earnings per share for the current quarter and financial year-to-date are based on net (loss)/profit attributable to shareholders of (RM4.2) million and RM6.6 million respectively and the weighted average number of ordinary shares of 179,374,000 and 179,480,000 respectively.

(b) Diluted earnings per share

Not applicable.