

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

**Interim Financial Report**  
**31 July 2009**

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

## Condensed consolidated balance sheet at 31 July 2009 - unaudited

	31.07.2009 RM'000	31.07.2008 RM'000
<b>Assets</b>		
Property, plant and equipment	279,471	292,907
Biological assets	32,974	24,414
Prepaid lease payments	11,078	11,343
Investment properties	9,281	7,000
Investment in associates	116,710	123,352
Loan to an associate	4,290	6,180
Deferred tax assets	271	6
<b>Total non-current assets</b>	454,075	465,202
Inventories	65,066	69,987
Trade and other receivables	137,685	179,209
Cash and cash equivalents	54,697	62,066
<b>Total current assets</b>	257,448	311,262
<b>Total assets</b>	711,523	776,464
<b>Equity</b>		
Share capital	179,702	179,702
Reserves	178,114	175,413
<b>Total equity attributable to shareholders of the Company</b>	357,816	355,115
<b>Minority interest</b>	18,115	17,712
<b>Total equity</b>	375,931	372,827
<b>Liabilities</b>		
Due to directors	4,322	4,322
Loans and borrowings	37,552	52,929
Deferred tax liabilities	23,957	26,085
<b>Total non-current liabilities</b>	65,831	83,336
Trade and other payables	127,616	173,470
Loans and borrowings	140,098	140,987
Taxation	2,047	5,844
<b>Total current liabilities</b>	269,761	320,301
<b>Total liabilities</b>	335,592	403,637
<b>Total equity and liabilities</b>	711,523	776,464
<b>Net assets per share of RM1.00 each</b>	2.00	1.98

# V.S. Industry Berhad

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## Condensed consolidated income statement for the period ended 31 July 2009 - unaudited

	Individual 3 months ended 31 July		Cumulative 12 months ended 31 July	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Revenue</b>	171,680	211,734	724,836	1,035,647
Cost of sales	<u>(149,258)</u>	<u>(176,423)</u>	<u>(626,301)</u>	<u>(874,213)</u>
<b>Gross profit</b>	22,422	35,311	98,535	161,434
Operating expenses	<u>(11,473)</u>	<u>(19,557)</u>	<u>(62,495)</u>	<u>(75,437)</u>
<b>Operating profit</b>	10,949	15,754	36,040	85,997
Finance costs	(1,583)	(1,945)	(7,495)	(9,043)
Interest income	136	144	691	787
Share of profit/(loss) after tax and minority interest of associates	<u>(8,399)</u>	<u>(96)</u>	<u>(16,215)</u>	<u>2,623</u>
<b>(Loss)/Profit before tax</b>	1,103	13,857	13,021	80,364
Tax expense	<u>(2,478)</u>	<u>(2,069)</u>	<u>(8,819)</u>	<u>(16,602)</u>
<b>Net (loss)/profit for the period</b>	<u>(1,375)</u>	<u>11,788</u>	<u>4,202</u>	<u>63,762</u>
<b>Attributable to:</b>				
Shareholders of the Company	(1,373)	11,348	5,224	63,422
Minority interests	<u>(2)</u>	<u>440</u>	<u>(1,022)</u>	<u>340</u>
<b>Net (loss)/profit for the period</b>	<u>(1,375)</u>	<u>11,788</u>	<u>4,202</u>	<u>63,762</u>
<b>Earnings per share</b>				
Basic (loss)/earnings per ordinary share (sen)	<u>(0.77)</u>	<u>6.31</u>	<u>2.91</u>	<u>35.60</u>

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## Condensed consolidated statement of changes in equity for the period ended 31 July 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
<b>At 1 August 2008</b>	179,702	63,739	111,674	355,115	17,712	372,827
Share buy back	--	(462)	--	(462)	--	(462)
<b>Net gain/(loss) recognised directly in equity</b>						
Exchange fluctuation on translation of foreign subsidiaries	--	6,913	--	6,913	(388)	6,525
Net profit for the period	--	--	5,224	5,224	(1,022)	4,202
Total recognised income and expense for the period	--	6,913	5,224	12,137	(1,410)	10,727
Dividends to shareholders – 2008 Final	--	--	(8,974)	(8,974)	--	(8,974)
Increase in share capital in a subsidiary	--	--	--	--	1,813	1,813
Share option lapsed in an associate	--	(1,187)	1,187	--	--	--
Appropriation	--	957	(957)	--	--	--
Realisation of revaluation surplus	--	(915)	915	--	--	--
<b>At 31 July 2009</b>	179,702	69,045	109,069	357,816	18,115	375,931
<b>At 1 August 2007</b>	143,762	31,885	122,042	297,689	17,228	314,917
Bonus issue	35,940	--	(35,940)	--	--	--
Share buy back	--	(6,682)	--	(6,682)	--	(6,682)
Exchange fluctuation on translation of foreign subsidiaries	--	5,801	--	5,801	(707)	5,094
Net surplus on revaluation of properties net of deferred tax	--	21,064	--	21,064	23	21,087
<b>Net gain/(loss) recognised directly in equity</b>						
Net profit for the period	--	26,865	--	26,865	(684)	26,181
Total recognised income and expense for the period	--	26,865	63,422	90,287	(344)	89,943
Dividends to shareholders						
- 2007 Final	--	--	(17,747)	(17,747)	--	(17,747)
- 2007 Interim	--	--	(4,228)	(4,228)	--	(4,228)
- 2007 Special	--	--	(5,391)	(5,391)	--	(5,391)
			(27,366)	(27,366)	--	(27,366)
Share dividend	--	8,656	(8,656)	--	--	--
Increase in share capital in a subsidiary	--	--	--	--	828	828
Equity settled share-based transactions in an associate	--	1,187	--	1,187	--	1,187
Appropriation	--	1,828	(1,828)	--	--	--
<b>At 31 July 2008</b>	179,702	63,739	111,674	355,115	17,712	372,827

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## Condensed consolidated cash flow statement for the period ended 31 July 2009 - unaudited

	12 months ended 31 July	
	2009 RM'000	2008 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	13,021	80,364
Adjustments for non-cash flow:		
Amortisation of prepaid lease payments	203	193
Depreciation	28,714	27,529
Other non-cash items	652	2,576
Non-operating items	23,548	10,353
Operating profit before working capital changes	66,138	121,015
Changes in working capital:		
Net change in current assets	46,390	22,277
Net change in current liabilities	(39,407)	(40,981)
Interest and tax paid	(17,781)	(20,803)
<b>Net cash generated from operating activities</b>	<u>55,340</u>	<u>81,508</u>
<b>Cash flows from investing activities</b>	<u>(34,325)</u>	<u>(60,634)</u>
<b>Cash flows from financing activities</b>		
Bank borrowings	(28,401)	10,955
Transactions with shareholders	(7,623)	(33,220)
<b>Net cash used in financing activities</b>	<u>(36,024)</u>	<u>(22,265)</u>
Exchange differences on translation of the financial statements of foreign operations	6,913	5,801
<b>Net change in cash and cash equivalents</b>	(8,096)	4,410
<b>Cash and cash equivalents at beginning of period</b>	61,134	56,783
Foreign exchange differences on opening balances	(163)	(59)
<b>Cash and cash equivalents at end of period</b>	<u>52,875</u>	<u>61,134</u>
<b>Cash and cash equivalent comprise:</b>		
Cash and bank balances	43,697	58,285
Deposits with licensed banks	11,000	3,781
Bank overdrafts	(1,822)	(932)
	<u>52,875</u>	<u>61,134</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 31 July 2009	
	Revenue RM'000	Segment Result RM'000
Malaysia	662,017	35,466
Indonesia	48,161	2,235
Others	19,319	(818)
	<u>729,497</u>	<u>36,883</u>
Inter-segment elimination	<u>(4,661)</u>	<u>(843)</u>
	<u>724,836</u>	<u>36,040</u>
Finance cost		(7,495)
Interest income		691
Share of results of associates		<u>(16,215)</u>
<b>Profit Before Tax</b>		<u><u>13,021</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: -

	12 months ended 31 July	
	2009 RM'000	2008 RM'000
<b>Associates</b>		
- Sales	30	200
- Purchases	4,131	10,835
- Sale of property, plant and equipment	--	82
- Interest receivable	386	450
	<u>386</u>	<u>450</u>
<b>A company in which certain Directors have substantial financial interest</b>		
- Rental payable	233	233
	<u>233</u>	<u>233</u>
<b>A company which is wholly owned by close family member of certain Directors</b>		
- Purchases	3,422	9,061
	<u>3,422</u>	<u>9,061</u>
<b>Companies in which a major shareholder has financial interest</b>		
- Purchases	3,439	3,793
	<u>3,439</u>	<u>3,793</u>
<b>Remuneration paid to staff who are close family member of certain Directors</b>		
	740	1,195
	<u>740</u>	<u>1,195</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 RM171.7 million as compared to RM211.7 million in the preceding year's corresponding quarter, and a profit before tax of RM1.1 million as compared to profit before tax of RM13.9 million previously. The decline in profit was mainly due to lower sales volume and share of losses from associates in the current quarter.

For the financial year ended 31 July 2009, the Group recorded a turnover of RM724.8 million as compared to RM1,035.6 million previously, whilst profit before tax was RM13.0 million versus RM80.4 million previously.

The overall decline in performance for the financial year under review was mainly attributable to significant drop in sales volume resulting from the current global economic crisis, higher allowance for doubtful debts and inventories written off totalling RM6.6 million as well as share of losses from associates of RM16.2 million.

### **2. Variation of results against preceding quarter**

For the quarter under review, the Group recorded a profit before tax of RM1.1 million as compared to a loss before tax of RM3.8 million in the preceding quarter mainly due to start-up costs associated with the production of a key customer's newly-introduced models in the preceding quarter.

### **3. Current year prospects**

The Board expects the prospects for the next financial year to be challenging in view of the uncertainty in the recovery of the global economy.

The Group will continue to strengthen our competitive edge and to collaborate with key customers on new product developments, as well as developing and growing new business initiatives with major potential customers.

### **4. Profit forecast**

Not applicable.

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## 5. Tax expense

	3 months ended 31 July		12 months ended 31 July	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Tax expense				
Malaysian - Current period	3,742	2,782	10,649	15,814
- Prior years	(233)	(719)	(233)	(719)
Overseas - Current period	(27)	1,202	800	1,202
- Prior years	(21)	--	(21)	--
	3,461	3,265	11,195	16,297
Deferred tax expense				
Malaysian - Current period	(920)	(791)	(2,313)	710
- Prior years	88	(676)	88	(676)
Overseas - Current period	(151)	271	(151)	271
	(983)	(1,196)	(2,376)	305
	<u>2,478</u>	<u>2,069</u>	<u>8,819</u>	<u>16,602</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

	31.07.2009 RM'000	31.07.2008 RM'000
<b>Non-current</b>		
<b><i>Secured</i></b>		
Term loans	42	483
Finance lease liabilities	5,465	2,410
	<u>5,507</u>	<u>2,893</u>
<b><i>Unsecured</i></b>		
Term loans	32,045	50,036
	<u>37,552</u>	<u>52,929</u>
<b>Current</b>		
<b><i>Secured</i></b>		
Term loans	471	410
Short term loan	2,167	2,329
Finance lease liabilities	2,607	1,236
	<u>5,245</u>	<u>3,975</u>
<b><i>Unsecured</i></b>		
Term loans	17,947	18,176
Bank overdraft	1,822	932
Revolving credit	26,417	25,524
Bankers' acceptance	88,667	92,380
	<u>140,098</u>	<u>140,987</u>
	<u>177,650</u>	<u>193,916</u>

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

	RM'000
US Dollar	21,486
SG Dollar	1,089
Rupiah	51

## 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

As announced to Bursa Malaysia Securities Berhad on 11 March 2009, the vendor of PT Berkat Benua Inti (being a corporation whereby the Company's associate in Indonesia, namely PT. VS Mining Resources Indonesia ("PTVS Mining") has a controlling interest) has unilaterally performed and obtained a judgement from an arbitration court in Jakarta against PTVS Mining and six other to pay compensation amounting to USD26.55 million.

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Subsequently, an appeal against the judgement has been filed with the Central Jakarta District Court and the case is pending transfer from the Central Jakarta District Court to the High Court where a decision is sought to annul the aforesaid claim.

## 12. Dividends

The Board is proposing for the shareholders' approval at the forthcoming Annual General Meeting, a final dividend of 1.3 sen tax exempt per ordinary share for the financial year ended 31 July 2009. The details of the book closure date and payment date will be announced at a later date.

The total dividend per share for the financial year ended 31 July 2009 is 1.3 sen tax exempt (2008: 11 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 (RM1.4) million and RM5.2 million respectively and the weighted average number of ordinary shares of 179,331,000 and 179,443,000 respectively.

### (b) *Diluted earnings per share*

Not applicable.