

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

**Interim Financial Report**  
**31 January 2010**

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

## Condensed consolidated balance sheet at 31 January 2010 - unaudited

	31.01.2010 RM'000	31.07.2009 RM'000
<b>Assets</b>		
Property, plant and equipment	267,050	279,471
Biological assets	36,432	32,974
Prepaid lease payments	11,014	11,078
Investment properties	9,254	9,281
Investment in associates	111,199	116,710
Loan to an associate	3,180	4,290
Deferred tax assets	276	271
<b>Total non-current assets</b>	438,405	454,075
Inventories	60,507	65,066
Trade and other receivables	147,270	137,685
Cash and cash equivalents	28,578	54,697
<b>Total current assets</b>	236,355	257,448
<b>Total assets</b>	674,760	711,523
<b>Equity</b>		
Share capital	179,702	179,702
Reserves	186,520	178,114
<b>Total equity attributable to shareholders of the Company</b>	366,222	357,816
<b>Minority interest</b>	20,136	18,115
<b>Total equity</b>	386,358	375,931
<b>Liabilities</b>		
Long term payables	4,322	12,322
Loans and borrowings	44,055	37,552
Deferred tax liabilities	24,611	23,956
<b>Total non-current liabilities</b>	72,988	73,830
Trade and other payables	106,527	119,617
Loans and borrowings	105,881	140,098
Taxation	3,006	2,047
<b>Total current liabilities</b>	215,414	261,762
<b>Total liabilities</b>	288,402	335,592
<b>Total equity and liabilities</b>	674,760	711,523
<b>Net assets per share of RM1.00 each</b>	2.04	2.00

# V.S. Industry Berhad

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## Condensed consolidated income statement for the period ended 31 January 2010 - unaudited

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Revenue</b>	181,109	194,785	357,941	382,352
Cost of sales	<u>(155,557)</u>	<u>(164,542)</u>	<u>(305,525)</u>	<u>(322,287)</u>
<b>Gross profit</b>	25,552	30,243	52,416	60,065
Operating expenses	<u>(16,077)</u>	<u>(20,813)</u>	<u>(32,457)</u>	<u>(37,843)</u>
<b>Operating profit</b>	9,475	9,430	19,959	22,222
Finance costs	(1,475)	(1,938)	(3,193)	(4,079)
Interest income	126	196	222	417
Share of loss after tax and minority interest of associates	<u>(1,060)</u>	<u>(3,555)</u>	<u>(2,437)</u>	<u>(2,854)</u>
<b>Profit before tax</b>	7,066	4,133	14,551	15,706
Tax expense	<u>(2,618)</u>	<u>(2,887)</u>	<u>(5,831)</u>	<u>(6,110)</u>
<b>Net profit for the period</b>	<u>4,448</u>	<u>1,246</u>	<u>8,720</u>	<u>9,596</u>
<b>Attributable to:</b>				
Shareholders of the Company	4,435	2,300	8,494	10,842
Minority interests	<u>13</u>	<u>(1,054)</u>	<u>226</u>	<u>(1,246)</u>
<b>Net profit for the period</b>	<u>4,448</u>	<u>1,246</u>	<u>8,720</u>	<u>9,596</u>
<b>Earnings per share</b>				
Basic earnings per ordinary share (sen)	<u>2.47</u>	<u>1.28</u>	<u>4.74</u>	<u>6.04</u>

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## Condensed consolidated statement of changes in equity for the period ended 31 January 2010 - 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 2009</b>	179,702	69,045	109,069	357,816	18,115	375,931
<b>Net gain recognised directly in equity</b>						
Exchange fluctuation on translation of foreign subsidiaries	--	2,243	--	2,243	167	2,410
Net profit for the period	--	--	8,494	8,494	226	8,720
Total recognised income and expense for the year	--	2,243	8,494	10,737	393	11,130
Dividends to shareholders – 2009 Final	--	--	(2,331)	(2,331)	--	(2,331)
Increase in share capital in a subsidiary	--	--	--	--	1,628	1,628
Realisation of revaluation surplus	--	(450)	450	--	--	--
<b>At 31 January 2010</b>	179,702	70,838	115,682	366,222	20,136	386,358
<b>At 1 August 2008</b>	179,702	63,739	111,674	355,115	17,712	372,827
Share buy back	--	(327)	--	(327)	--	(327)
<b>Net gain/(loss) recognised directly in equity</b>						
Exchange fluctuation on translation of foreign subsidiaries	--	4,601	--	4,601	(1,770)	2,831
Net profit for the period	--	--	10,842	10,842	(1,246)	9,596
Total recognised income and expense for the period	--	4,601	10,842	15,443	(3,016)	12,427
Dividend to shareholders – 2008 Final	--	--	(8,974)	(8,974)	--	(8,974)
<b>At 31 January 2009</b>	179,702	68,013	113,542	361,257	14,696	375,953

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## Condensed consolidated cash flow statement for the period ended 31 January 2010 - unaudited

	6 months ended 31 January	
	2010 RM'000	2009 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	14,551	15,706
Adjustments for non-cash flow:		
Amortisation of prepaid lease payments	101	100
Depreciation	13,995	14,188
Non-cash items	3,857	74
Non-operating items	5,259	6,396
Operating profit before working capital changes	37,763	36,464
Changes in working capital:		
Net change in current assets	(5,081)	25,383
Net change in current liabilities	(8,711)	(13,820)
Interest and tax paid	(5,388)	(7,026)
<b>Net cash generated from operating activities</b>	<b>18,583</b>	<b>41,001</b>
<b>Cash flows from investing activities</b>	<b>(16,629)</b>	<b>(19,449)</b>
<b>Cash flows from financing activities</b>		
Bank borrowings	(28,414)	(26,685)
Funds from minority interest	1,628	-
Transactions with shareholders	(2,331)	(9,301)
<b>Net cash used in financing activities</b>	<b>(29,117)</b>	<b>(35,986)</b>
Exchange differences on translation of the financial statements of foreign operations	2,243	4,601
<b>Net change in cash and cash equivalents</b>	<b>(24,920)</b>	<b>(9,833)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>52,875</b>	<b>61,134</b>
Foreign exchange differences on opening balances	28	(1,063)
<b>Cash and cash equivalents at end of period</b>	<b>27,983</b>	<b>50,238</b>
<b>Cash and cash equivalent comprise:</b>		
Cash and bank balances	16,560	42,438
Deposits with licensed banks	12,018	9,000
Bank overdrafts	(595)	(1,200)
	27,983	50,238

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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 2009 annual financial statements except for the adoption of FRS 8, *Operating Segments* which is effective for annual accounting period beginning on 1 August 2009.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no financial impact on the Group.

The preparation of an interim financial report in conformity with FRS 134, *Interim Financial Reporting* requires management to make judgements, 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 2009 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 2009 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 2009 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.

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## 4. Material changes in estimates

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

## 5. Issuances, cancellations, repurchases, resale and repayments of debts and equity securities

There are no issuance, cancellations, repurchases, resale, repayments of debts and equity securities for the current financial year-to-date .

## 6. Dividends paid

A final tax exempt dividend of 1.3 sen per ordinary share of RM1.00 each totalling RM2,331,228 in respect of the financial year ended 31 July 2009 was paid on 22 January 2010.

## 7. Segment information

	Period Ended 31 January 2010			
	Malaysia RM'000	Indonesia RM'000	Others RM'000	Total RM'000
External revenue	321,156	27,763	9,022	357,941
Inter-segment revenue	1,818	--	--	1,818
Segment profit/(loss) before tax	15,327	912	(1,688)	14,551

	Period Ended 31 January 2009			
	Malaysia RM'000	Indonesia RM'000	Others RM'000	Total RM'000
External revenue	343,979	28,053	10,320	382,352
Inter-segment revenue	2,382	--	--	2,382
Segment profit/(loss) before tax	18,719	(1,541)	(1,472)	15,706

## 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.

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## 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 material changes in the contingent liabilities of the Group since the last annual balance sheet as at 31 July 2009.

## 11. Related party transactions

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

	6 months ended 31 January	
	2010 RM'000	2009 RM'000
<b>Associates</b>		
- Sales	41	30
- Purchases	262	3,182
- Interest receivable	139	215
	<u>442</u>	<u>3,427</u>
<b>A company in which certain Directors have substantial financial interest</b>		
- Rental payable	116	116
	<u>116</u>	<u>116</u>
<b>A company which is wholly owned by close family member of certain Directors</b>		
- Purchases	456	1,707
	<u>456</u>	<u>1,707</u>
<b>Companies in which a major shareholder has financial interest</b>		
- Purchases	2,286	2,692
	<u>2,286</u>	<u>2,692</u>
<b>Remuneration paid to staff who are close family member of certain Directors</b>		
	256	509
	<u>256</u>	<u>509</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 lower turnover of RM181.1 million as compared to RM194.8 million in the preceding year's corresponding quarter, whilst profit before tax was RM7.1 million versus RM4.1 million previously.

The improved performance for the current quarter was mainly due to the previous period's allowance for doubtful debts and slow moving inventories, and unrealised foreign exchange loss in US Dollar denominated loan totalling RM6.1 million provided in the corresponding quarter of the preceding year. The Group also suffered lower share of losses from associates in the current quarter.

For the half year period ended 31 January 2010, the Group recorded a turnover of RM357.9 million as compared to RM382.4 million of the corresponding period of the preceding year, whilst profit before tax was RM14.6 million versus RM15.7 million previously.

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

The Group recorded a profit before tax of RM7.1 million from RM7.5 million in the preceding quarter on the back of turnover of RM181.1 million as compared to preceding quarter's turnover of RM176.8 million.

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

The Board believes the global economy is gradually recovering. This is evident from the trend of improving sales orders quarter-on-quarter. Barring any unforeseen circumstances, the Board is optimistic that this year the Group will perform better than the previous financial year.

### **4. Profit forecast**

Not applicable.

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## 5. Tax expense

	3 months ended 31 January		3 months ended 31 January	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Tax expense				
Malaysian- Current	1,748	3,293	4,602	5,821
Overseas- Current	126	247	512	782
	1,874	3,540	5,114	6,603
Deferred tax expense				
Malaysian- Current	681	(653)	654	(493)
Overseas - Current	63	-	63	-
	744	(653)	717	(493)
	<u>2,618</u>	<u>2,887</u>	<u>5,831</u>	<u>6,110</u>

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

## 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

	31.01.2010 RM'000	31.07.2009 RM'000
<b>Non-current</b>		
<b><i>Secured</i></b>		
Term loans	--	42
Finance lease liabilities	4,240	5,465
	<u>4,240</u>	<u>5,507</u>
<b><i>Unsecured</i></b>		
Term loans	39,815	32,045
	<u>44,055</u>	<u>37,552</u>
<b>Current</b>		
<b><i>Secured</i></b>		
Term loans	270	471
Short term loan	6,312	2,167
Finance lease liabilities	2,565	2,607
	<u>9,147</u>	<u>5,245</u>
<b><i>Unsecured</i></b>		
Term loans	22,021	17,947
Bank overdraft	595	1,822
Revolving credit	25,780	26,417
Bankers' acceptance	48,338	88,667
	<u>105,881</u>	<u>140,098</u>
	<u>149,936</u>	<u>177,650</u>

Borrowings denominated in US Dollar amounted to RM24.1 million (31.7.2009: RM21.5 million).

## 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 Banea 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.

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.

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## **12. Dividends**

The Board of Directors is pleased to declare a single tier interim dividend of 1.5 sen for the financial year ending 31 July 2010.

The book closure and payment date will be announced at a later date.

## **13. 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 RM4.4 million and RM8.5 million respectively and the weighted average number of ordinary shares of 179,331,000.

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

Not applicable.