

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

Interim Financial Report
30 April 2010

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated balance sheet at 30 April 2010 - unaudited

	30.04.2010 RM'000	31.07.2009 RM'000
Assets		
Property, plant and equipment	261,194	279,471
Biological assets	38,292	32,974
Prepaid lease payments	10,992	11,078
Investment properties	9,240	9,281
Investment in associates	97,818	116,710
Loan to an associate	2,067	4,290
Deferred tax assets	280	271
Total non-current assets	419,883	454,075
Inventories	72,390	65,066
Trade and other receivables	171,229	137,685
Cash and cash equivalents	56,862	54,697
Total current assets	300,481	257,448
Total assets	720,364	711,523
Equity		
Share capital	179,702	179,702
Reserves	181,866	178,114
Total equity attributable to equity holders of the Company	361,568	357,816
Minority interest	19,515	18,115
Total equity	381,083	375,931
Liabilities		
Long term payables	4,322	12,322
Loans and borrowings	40,676	37,552
Deferred tax liabilities	25,168	23,956
Total non-current liabilities	70,166	73,830
Trade and other payables	131,247	119,617
Loans and borrowings	133,522	140,098
Taxation	4,346	2,047
Total current liabilities	269,115	261,762
Total liabilities	339,281	335,592
Total equity and liabilities	720,364	711,523
Net assets per share of RM1.00 each	2.02	2.00

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Condensed consolidated income statement for the period ended 30 April 2010 - unaudited

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	192,716	170,804	550,657	553,156
Cost of sales	<u>(161,100)</u>	<u>(154,756)</u>	<u>(466,625)</u>	<u>(477,043)</u>
Gross profit	31,616	16,048	84,032	76,113
Operating expenses	<u>(19,007)</u>	<u>(13,179)</u>	<u>(51,464)</u>	<u>(51,022)</u>
Operating profit	12,609	2,869	32,568	25,091
Finance costs	(1,603)	(1,833)	(4,796)	(5,912)
Interest income	97	138	319	555
Share of loss after tax and minority interest of associates	<u>(340)</u>	<u>(4,962)</u>	<u>(2,777)</u>	<u>(7,816)</u>
Profit/(loss) before tax	10,763	(3,788)	25,314	11,918
Tax expense	<u>(4,416)</u>	<u>(231)</u>	<u>(10,247)</u>	<u>(6,341)</u>
Net profit/(loss) for the period	<u>6,347</u>	<u>(4,019)</u>	<u>15,067</u>	<u>5,577</u>
Attributable to:				
Shareholders of the Company	6,509	(4,245)	15,003	6,597
Minority interests	<u>(162)</u>	<u>226</u>	<u>64</u>	<u>(1,020)</u>
Net profit/(loss) for the period	<u>6,347</u>	<u>(4,019)</u>	<u>15,067</u>	<u>5,577</u>
Earnings per share				
Basic earnings/(loss) per ordinary share (sen)	<u>3.63</u>	<u>(2.37)</u>	<u>8.37</u>	<u>3.68</u>

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Condensed consolidated statement of changes in equity for the period ended 30 April 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
At 1 August 2009	179,702	69,045	109,069	357,816	18,115	375,931
Share buy back	--	(17)	--	(17)	--	(17)
Net gain/(loss) recognised directly in equity						
Exchange fluctuation on translation of foreign subsidiaries	--	(6,213)	--	(6,213)	515	(5,698)
Net profit for the period	--	--	15,003	15,003	64	15,067
Total recognised income and expense for the period	--	(6,213)	15,003	8,790	579	9,369
Dividends to shareholders	--	--	(5,021)	(5,021)	--	(5,021)
Increase in share capital in a subsidiary	--	--	--	--	821	821
Realisation of revaluation surplus	--	(670)	670	--	--	--
At 30 April 2010	179,702	62,145	119,721	361,568	19,515	381,083
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
Dividends to shareholders	--	--	(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

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Condensed consolidated cash flow statement for the period ended 30 April 2010 - unaudited

	9 months ended 30 April	
	2010 RM'000	2009 RM'000
Cash flows from operating activities		
Profit before tax	25,314	11,918
Adjustments for non-cash flow:		
Amortisation of prepaid lease payments	152	152
Depreciation	20,945	21,536
Other non-cash items	5,898	266
Non-operating items	6,929	13,002
Operating profit before working capital changes	59,238	46,874
Changes in working capital:		
Net change in current assets	(40,923)	42,401
Net change in current liabilities	25,422	(39,821)
Interest and tax paid	(8,360)	(14,437)
Net cash generated from operating activities	<u>35,377</u>	<u>35,017</u>
Cash flows from investing activities	<u>(16,399)</u>	<u>(21,041)</u>
Cash flows from financing activities		
Bank borrowings	(5,542)	(28,351)
Funds from minority interest	821	1,813
Transactions with shareholders	(5,038)	(9,436)
Net cash used in financing activities	<u>(9,759)</u>	<u>(35,974)</u>
Exchange differences on translation of the financial statements of foreign operations	(6,213)	4,930
Net change in cash and cash equivalents	3,006	(17,068)
Cash and cash equivalents at beginning of period	52,875	61,134
Foreign exchange differences on opening balances	(71)	(763)
Cash and cash equivalents at end of period	<u>55,810</u>	<u>43,303</u>
Cash and cash equivalent comprise:		
Cash and bank balances	33,319	46,274
Deposit with licensed banks	23,543	-
Bank overdrafts	(1,052)	(2,971)
	<u>55,810</u>	<u>43,303</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 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 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)
April 2010	13,000	1.30	1.32	1.31	17,068

As at the date of this interim report, a total of 384,236 of the repurchased shares are being held as treasury shares and carried at cost.

6. Dividends paid

Since the end of previous financial year, the Company paid:-

- a final tax exempt dividend of 1.3 sen per ordinary share of RM1.00 each totalling RM2,331,288 in respect of the financial year ended 31 July 2009 on 22 January 2010; and
- a single tier interim dividend of 1.5 sen per ordinary share of RM1.00 each totalling RM2,689,757 in respect of the financial year ending 31 July 2010 on 30 April 2010.

7. Segment information

	Period Ended 30 April 2010			
	Malaysia RM'000	Indonesia RM'000	Others RM'000	Total RM'000
External revenue	496,136	43,519	11,002	550,657
Inter-segment revenue	2,120	--	--	2,120
Segment profit/(loss) before tax	32,109	(3,634)	(3,161)	25,314

	Period Ended 30 April 2009			
	Malaysia RM'000	Indonesia RM'000	Others RM'000	Total RM'000
External revenue	501,608	37,535	14,013	553,156
Inter-segment revenue	3,239	--	--	3,239
Segment profit/(loss) before tax	19,065	(327)	(6,820)	11,918

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

11. Related party transactions

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

	9 months ended 30 April	
	2010 RM'000	2009 RM'000
Associates		
- Sales	363	30
- Purchases	449	3,182
- Interest receivable	191	300
	<u> </u>	<u> </u>
A company in which certain Directors have substantial financial interest		
- Rental payable	174	174
	<u> </u>	<u> </u>
A company which is wholly owned by close family member of certain Directors		
- Purchases	877	3,337
	<u> </u>	<u> </u>
Companies in which a major shareholder has financial interest		
- Purchases	3,736	2,380
	<u> </u>	<u> </u>
Remuneration paid to staff who are close family member of certain Directors		
	428	608
	<u> </u>	<u> </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 higher turnover of RM192.7 million as compared to RM170.8 million in the preceding year's corresponding quarter, whilst profit before tax was RM10.8 million as compared to loss before tax of RM3.8 million previously. The commendable performance in the current quarter was mainly due to higher sales orders from key customers as well as lower share of losses from associates.

For the nine months ended 30 April 2010, the Group recorded a turnover of RM550.7 million as compared to RM553.2 million of the corresponding period of the preceding year, whilst profit before tax was RM25.3 million versus RM11.9 million previously. The better performance was mainly attributable to better production efficiency as well as lower share of losses from associates.

2. Variation of results against preceding quarter

The Group recorded a profit before tax of RM10.8 million from RM7.1 million in the preceding quarter, on the back of turnover of RM192.7 million as compared to preceding quarter's turnover of RM181.1 million.

3. Current year prospects

The Board believes the global economy is gradually recovering, as indicated by the Group's trend of improving sales orders. Barring any unforeseen circumstances, the Board is optimistic that the Group would outperform the previous year's results.

4. Profit forecast

Not applicable.

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5. Tax expense

	3 months ended 30 April		3 months ended 30 April	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Tax expense				
Malaysian- Current	3,456	1,086	8,058	6,907
Overseas- Current	480	45	992	827
	3,936	1,131	9,050	7,734
Deferred tax expense				
Malaysian- Current	434	(900)	1,088	(1,393)
Overseas - Current	46	-	109	-
	480	(900)	1,197	(1,393)
	<u>4,416</u>	<u>231</u>	<u>10,247</u>	<u>6,341</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

	30.04.2010 RM'000	31.07.2009 RM'000
Non-current		
<i>Secured</i>		
Term loans	1,727	42
Finance lease liabilities	3,649	5,465
	<u>5,376</u>	<u>5,507</u>
<i>Unsecured</i>		
Term loans	35,300	32,045
	<u>40,676</u>	<u>37,552</u>
Current		
<i>Secured</i>		
Term loans	971	471
Short term loan	4,610	2,167
Finance lease liabilities	2,438	2,607
	<u>8,019</u>	<u>5,245</u>
<i>Unsecured</i>		
Term loans	20,598	17,947
Bank overdraft	1,052	1,822
Revolving credit	25,376	26,417
Bankers' acceptance	78,477	88,667
	<u>133,522</u>	<u>140,098</u>
	<u>174,198</u>	<u>177,650</u>

Borrowings denominated in US Dollar amounted to RM24.2 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 Banua 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

- (a) No dividend is proposed for the current quarter.
- (b) The total dividend per share for the current financial year is 1.5 sen single tier (previous year corresponding period: NIL).

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 RM6.5 million and RM15.0 million respectively and the weighted average number of ordinary shares of 179,327,000 and 179,330,000 respectively.

(b) *Diluted earnings per share*

Not applicable.