

**V.S. Industry Berhad**

(Company No. 88160-P)

(Incorporated in Malaysia)

**Interim Financial Report**

**31 July 2010**

# V.S. Industry Berhad

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

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

	31.07.2010 RM'000	31.07.2009 RM'000
<b>Assets</b>		
Property, plant and equipment	258,003	279,471
Biological assets	37,344	32,974
Prepaid lease payments	10,957	11,078
Investment properties	9,300	9,281
Investment in associates	95,661	116,710
Loan to an associate	1,928	4,290
Deferred tax assets	421	271
<b>Total non-current assets</b>	413,614	454,075
Inventories	77,380	65,066
Trade and other receivables	195,821	137,685
Cash and cash equivalents	67,364	54,697
<b>Total current assets</b>	340,565	257,448
<b>Total assets</b>	754,179	711,523
<b>Equity</b>		
Share capital	179,702	179,702
Reserves	194,885	178,114
<b>Total equity attributable to equity holders of the Company</b>	374,587	357,816
<b>Minority interest</b>	19,242	18,115
<b>Total equity</b>	393,829	375,931
<b>Liabilities</b>		
Long term payables	4,322	12,322
Loans and borrowings	35,825	37,552
Deferred tax liabilities	25,575	23,956
<b>Total non-current liabilities</b>	65,722	73,830
Trade and other payables	156,677	119,617
Loans and borrowings	134,219	140,098
Taxation	3,732	2,047
<b>Total current liabilities</b>	294,628	261,762
<b>Total liabilities</b>	360,350	335,592
<b>Total equity and liabilities</b>	754,179	711,523
<b>Net assets per share of RM1.00 each</b>	2.09	2.00

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

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

	Individual 3 months ended 31 July		Cumulative 12 months ended 31 July	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Revenue</b>	249,513	171,680	800,170	724,836
Cost of sales	<u>(212,269)</u>	<u>(149,258)</u>	<u>(678,894)</u>	<u>(626,301)</u>
<b>Gross profit</b>	37,244	22,422	121,276	98,535
Operating expenses	(18,520)	(9,537)	(62,937)	(53,611)
Net other expenses	<u>(5,409)</u>	<u>(1,936)</u>	<u>(12,456)</u>	<u>(8,884)</u>
<b>Operating profit</b>	13,315	10,949	45,883	36,040
Finance costs	(1,220)	(1,583)	(6,016)	(7,495)
Interest income	281	136	600	691
Share of loss after tax and minority interest of associates	<u>(871)</u>	<u>(8,399)</u>	<u>(3,648)</u>	<u>(16,215)</u>
<b>Profit/(loss) before tax</b>	11,505	1,103	36,819	13,021
Tax expense	<u>(3,041)</u>	<u>(2,478)</u>	<u>(13,288)</u>	<u>(8,819)</u>
<b>Net profit/(loss) for the period</b>	<u>8,464</u>	<u>(1,375)</u>	<u>23,531</u>	<u>4,202</u>
<b>Attributable to:</b>				
Shareholders of the Company	9,287	(1,373)	24,290	5,224
Minority interests	<u>(823)</u>	<u>(2)</u>	<u>(759)</u>	<u>(1,022)</u>
<b>Net profit/(loss) for the period</b>	<u>8,464</u>	<u>(1,375)</u>	<u>23,531</u>	<u>4,202</u>
<b>Earnings per share</b>				
Basic earnings/(loss) per ordinary share (sen)	<u>5.18</u>	<u>(0.77)</u>	<u>13.55</u>	<u>2.91</u>

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

## Condensed consolidated statement of changes in equity for the period ended 31 July 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
Share buy back	--	(49)	--	(49)	--	(49)
<b>Net gain/(loss) recognised directly in equity</b>						
Exchange fluctuation on translation of foreign subsidiaries	--	(2,962)	--	(2,962)	604	(2,358)
Net profit for the period	--	--	24,290	24,290	(759)	23,531
Total recognised income and expense for the period	--	(2,962)	24,290	21,328	(155)	21,173
Dividends to shareholders	--	--	(5,021)	(5,021)	--	(5,021)
Increase in share capital in a subsidiary	--	--	--	--	1,282	1,282
Equity settled share-based translations in an associate	--	513	--	513	--	513
Realisation of revaluation surplus	--	(890)	890	--	--	--
<b>At 31 July 2010</b>	179,702	65,657	129,228	374,587	19,242	393,829
<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	--	--	(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

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

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

	12 months ended 31 July	
	2010 RM'000	2009 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	36,819	13,021
Adjustments for non-cash flow:		
Amortisation of prepaid lease payments	203	203
Depreciation	27,947	28,714
Other non-cash items	14,395	5,106
Non-operating items	9,556	23,548
Operating profit before working capital changes	88,920	70,592
Changes in working capital:		
Net change in current assets	(73,499)	41,936
Net change in current liabilities	43,402	(39,407)
Interest and tax paid	(11,958)	(17,781)
<b>Net cash generated from operating activities</b>	<u>46,865</u>	<u>55,340</u>
<b>Cash flows from investing activities</b>	<u>(15,232)</u>	<u>(34,325)</u>
<b>Cash flows from financing activities</b>		
Bank borrowings	(11,997)	(28,401)
Funds from minority interest	1,282	1,813
Transactions with shareholders	(5,070)	(9,436)
<b>Net cash used in financing activities</b>	<u>(15,785)</u>	<u>(36,024)</u>
Exchange differences on translation of the financial statements of foreign operations	(2,962)	6,913
<b>Net change in cash and cash equivalents</b>	12,886	(8,096)
<b>Cash and cash equivalents at beginning of period</b>	52,875	61,134
Foreign exchange differences on opening balances	(38)	(163)
<b>Cash and cash equivalents at end of period</b>	<u>65,723</u>	<u>52,875</u>
<b>Cash and cash equivalent comprise:</b>		
Cash and bank balances	49,119	43,697
Deposit with licensed banks	18,245	11,000
Bank overdrafts	(1,641)	(1,822)
	<u>65,723</u>	<u>52,875</u>

# V.S. Industry Berhad

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

## 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.

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

## 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
July 2010	27,000	1.19	1.20	1.20	32,416
Total	40,000			1.24	49,484

As at the date of this interim report, a total of 674,436 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
- an interim single-tier tax exempt 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 31 July 2010			
	Malaysia RM'000	Indonesia RM'000	Others RM'000	Total RM'000
External revenue	716,290	65,924	17,956	800,170
Inter-segment revenue	2,845	--	--	2,845
Segment profit/(loss) before tax	47,609	(8,095)	(2,695)	36,819

  

	Period Ended 31 July 2009			
	Malaysia RM'000	Indonesia RM'000	Others RM'000	Total RM'000
External revenue	657,356	48,161	19,319	724,836
Inter-segment revenue	4,661	--	--	4,661
Segment profit/(loss) before tax	28,362	(467)	(14,874)	13,021

# V.S. Industry Berhad

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

## 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: -

	12 months ended 31 July	
	2010 RM'000	2009 RM'000
<b>Associates</b>		
- Sales	41	30
- Purchase	1,174	4,131
- Interest receivable	243	386
- Sales commission receivable	873	-
	<hr/>	<hr/>
<b>A company in which certain Directors have substantial financial interest</b>		
- Rental payable	233	233
	<hr/>	<hr/>
<b>A company which is wholly owned by close family member of certain Directors</b>		
- Purchases	936	3,422
	<hr/>	<hr/>
<b>Companies in which a major shareholder has financial interest</b>		
- Purchases	5,278	3,439
	<hr/>	<hr/>
<b>Remuneration paid to staff who are close family member of certain Directors</b>		
	548	740
	<hr/>	<hr/>

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



# **V.S. Industry Berhad**

(Company No. 88160-P)

(Incorporated in Malaysia)

## **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 RM249.5 million as compared to RM171.7 million in the preceding year's corresponding quarter, whilst profit before tax was RM11.5 million versus RM1.1 million previously. The commendable performance in the current quarter was mainly due higher sales orders from key customers as well as lower share of losses from associates which was partially offsetted by the impairment loss on investment in an associate of RM4.9 million.

For the financial year ended 31 July 2010, the Group recorded a turnover of RM800.2 million as compared to RM724.8 million previously and profit before tax of RM36.8 million versus RM13.0 million previously. The commendable performance was mainly due to higher sales orders from key customers as well as lower share of losses from associates which was partially offsetted by the impairment loss on investment in an associate of RM10.9 million.

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

The Group recorded a profit before tax of RM11.5 million from RM10.8 million in the preceding quarter, on the back of turnover of RM249.5 million as compared to preceding quarter's turnover of RM192.7 million.

The profit before tax increase by only RM0.7 million due to the higher impairment loss on investment in an associate of RM4.9 million compared to RM2.0 million in the preceding quarter.

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

The Board is of the opinion that the global economy is gradually recovering. The sales recorded in the last quarter and the sales orders have increased significantly. We believe this trend will continue. In addition, the Group is in the advanced stage of negotiating with several multinational corporations for new projects. Barring any unforeseen circumstances, the Board is optimistic that the Group will deliver improved results in the next financial year.

### **4. Profit forecast**

Not applicable.

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

## 5. Tax expense

	3 months ended 31 July		12 months ended 31 July	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Tax expense				
Malaysian - Current period	3,406	3,742	11,464	10,649
- Prior years	(857)	(233)	(857)	(233)
Overseas - Current period	229	(27)	1,221	800
- Prior years	-	(21)	-	(21)
	2,778	3,461	11,828	11,195
Deferred tax expense				
Malaysian - Current period	1,015	(920)	2,103	(2,313)
- Prior years	(952)	88	(952)	88
Overseas - Current period	200	(151)	309	(151)
	263	(983)	1,460	(2,376)
	<u>3,041</u>	<u>2,478</u>	<u>13,288</u>	<u>8,819</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.

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

## 9. Borrowing and debt securities

	31.07.2010 RM'000	31.07.2009 RM'000
<b>Non-current</b>		
<i>Secured</i>		
Term loans	1,515	42
Finance lease liabilities	3,562	5,465
	<u>5,077</u>	<u>5,507</u>
<i>Unsecured</i>		
Term loans	30,748	32,045
	<u>35,825</u>	<u>37,552</u>
<b>Current</b>		
<i>Secured</i>		
Term loans	872	471
Short term loan	5,227	2,167
Finance lease liabilities	2,698	2,607
	<u>8,797</u>	<u>5,245</u>
<i>Unsecured</i>		
Term loans	19,585	17,947
Bank overdraft	1,641	1,822
Revolving credit	25,375	26,417
Bankers' acceptance	78,821	88,667
	<u>134,219</u>	<u>140,098</u>
	<u>170,044</u>	<u>177,650</u>

Borrowings denominated in US Dollar amounted to RM24.9 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

Further to the announcement to Bursa Malaysia Securities Berhad on 20 August 2010 on the settlement agreement signed between PT. VS Mining Resources Indonesia ("PTVS Mining") (as "Defendant") with the Vendor (as "Plaintiff") of PT Berkat Banua Inti (being a company in which PTVS Mining has a controlling interest arising from its acquisition of shares from the said Vendor), 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.

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

## 12. Dividends

- (a) The Board is proposing for the shareholders' approval at the forthcoming Annual General Meeting, a final single-tier tax exempt dividend of 5 sen per ordinary share for the financial year ended 31 July 2010. The details of the book closure date and payment date will be announced at a later date.
- (b) The total dividend per share for the current financial year is 6.5 sen (2009: 1.3 sen).

## 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 RM9.3 million and RM24.3 million respectively and the weighted average number of ordinary shares of 179,324,000 and 179,309,000 respectively.

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

Not applicable.