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

Interim Financial Report 31 October 2010

# V.S. Industry Berhad (Company No. 88160-P)

(Incorporated in Malaysia)

## Condensed consolidated statement of financial position As at 31 October 2010 - unaudited

As at 31 October 2010 - unaudited		
	31.10.2010 RM'000	31.07.2010 RM'000
Assets		• 60 0 60
Property, plant and equipment	262,710 37,834	268,960 37,344
Biological assets Investment properties	9,300	9,300
Investment in associates	96,571	95,661
Loan to an associate	913	1,928
Deferred tax assets	412	421
Total non-current assets	407,740	413,614
Inventories	80,675	77,380
Trade and other receivables	200,366	195,821
Cash and cash equivalents	72,055	67,364
Total current assets	353,096	340,565
Total assets	760,836	754,179
Fanity		
Equity Share capital	179,702	179,702
Reserves	206,317	194,885
Total equity attributable to owners		
of the Company	386,019	374,587
Minority interests	19,375	19,242
Total equity	405,394	393,829
Liabilities		
Long term payables	4,322	4,322
Loans and borrowings	31,151	35,825
Deferred tax liabilities	25,874	25,575
Total non-current liabilities	61,347	65,722
Trade and other payables	158,552	156,677
Loans and borrowings	128,322	134,219
Taxation	7,221	3,732
Total current liabilities	294,095	294,628
Total liabilities	355,442	360,350
Total equity and liabilities	760,836	754,179
Net assets per share of RM1.00 each	2.16	2.09

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

## Condensed consolidated statement of comprehensive income For the period ended 31 October 2010 - unaudited

	Indivi 3 months 31 Oct 2010 RM'000	ended	Cumul 3 months 31 Oct 2010 RM'000	ended
Revenue	247,754	176,832	247,754	176,832
Cost of sales	(210,694)	(149,968)	(210,694)	(149,968)
Gross profit	37,060	26,864	37,060	26,864
Operating expenses Net other expenses	(16,808) (507)	(14,740) (1,640)	(16,808) (507)	(14,740) (1,640)
Results from operating activities	19,745	10,484	19,745	10,484
Finance costs Interest income Share of loss of associates, net of tax	(1,694) 221 (279)	(1,718) 96 (1,377)	(1,694) 221 (279)	(1,718) 96 (1,377)
Profit before tax	17,993	7,485	17,993	7,485
Tax expense	(4,893)	(3,213)	(4,893)	(3,213)
Profit for the period	13,100	4,272	13,100	4,272
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(1,581)	(2,417)	(1,581)	(2,417)
Total comprehensive income for the period	11,519	1,855	11,519	1,855
Profit attributable to:				
Owners of the Company Minority interests	13,014 86	4,059 213	13,014 86	4,059 213
Profit for the period	13,100	4,272	13,100	4,272
Total comprehensive income attributable to: Owners of the Company Minority interests	11,835 (316)	1,538 317	11,835 (316)	1,538 317
Total comprehensive income for the period	11,519	1,855	11,519	1,855
Earnings per share Basic earnings per ordinary share	7.27	2.26	7.27	2.26

# V.S. Industry Berhad (Company No. 88160-P)

(Incorporated in Malaysia)

# Condensed consolidated statement of changes in equity For the period ended 31 October 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 2010	179,702	65,657	129,228	374,587	19,242	393,829
Share buy back		(403)		(403)		(403)
Profit for the period			13,014	13,014	86	13,100
Other comprehensive income		(1,394)	215	(1,179)	(402)	(1,581)
Total comprehensive income for the period		(1,394)	13,229	11,835	(316)	11,519
Increase in share capital in a subsidiary					449	449
At 31 October 2010	179,702	63,860	142,457	386,019	19,375	405,394
44.1.4	170.702	(0.045	100.000	257.017	10 115	275 021
At 1 August 2009	179,702	69,045	109,069	357,816	18,115	375,931
Profit for the period			4,059	4,059	213	4,272
Other comprehensive income		(2,521)		(2,521)	104	(2,417)
Total comprehensive income for the period		(2,521)	4,059	1,538	317	1,855
Increase in share capital in a subsidiary					524	524
At 31 October 2009	179,702	66,524	113,128	359,354	18,956	378,310

# V.S. Industry Berhad (Company No. 88160-P)

(Incorporated in Malaysia)

## **Condensed consolidated statement of cash flows** For the period ended 31 October 2010 - unaudited

	3 months ended 31 October	
	2010 RM'000	2009 RM'000
Cash flows from operating activities		
Profit before tax	17,993	7,485
Adjustments for non-cash flow: Depreciation Other non-cash items Non-operating items	6,876 91 2,465	7,199 1,999 2,308
Operating profit before changes in working capital	27,425	18,991
Changes in working capital:		
Net change in current assets Net change in current liabilities Interest and tax paid	(7,895) 2,495 (912)	(5,084) 2,589 (2,809)
Net cash from operating activities	21,113	13,687
Cash flows from investing activities	(3,092)	(1,990)
Cash flows from financing activities Bank borrowings Funds from minority interests Repurchase of treasury shares	(11,399) 449 (403)	(14,064) 524
Net cash used in financing activities	(11,353)	(13,540)
Exchange differences on translation of the financial statements of foreign operations	(1,179)	(2,521)
Net change in cash and cash equivalents	5,489	(4,364)
Cash and cash equivalents at beginning of period	65,723	52,875
Foreign exchange differences on opening balances	(1)	5
Cash and cash equivalents at end of period	71,211	48,516
Cash and cash equivalent comprise: Cash and bank balances Deposit with licensed banks Bank overdrafts	54,622 17,433 (844) 71,211	38,647 11,014 (1,145) 48,516
	11,411	10,510

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## Notes to the condensed consolidated interim financial statements

V.S. Industry Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements of the Group as at and for the three months period ended 31 October 2010 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in associates.

The consolidated financial statements of the Group as at and for the year ended 31 July 2010 are available upon request from the Company's registered office at:

#### **Registered office**

Suite 7E, Level 7 Menara Ansar 65, Jalan Trus 80000 Johor Bahru Johor Malaysia

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 December 2010.

#### 1. Basis of preparation

#### (a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and FRS 134, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 July 2010.

## 2. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 July 2010.

#### (a) Changes in accounting policies:

#### (i) FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments and the new accounting policies are as below:

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## 2. Significant accounting policies (Continued)

#### (a) Changes in accounting policies (Continued)

#### (i) FRS 139, Financial Instruments: Recognition and Measurement (Continued)

#### I) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

#### II) Financial instrument categories and subsequent measurement

The Group categorises financial instruments as follows:

#### Financial assets

#### a) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

#### Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorized as fair value through profit or loss.

Other financial liabilities categorized as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognized in profit or loss.

#### III) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

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## 2. Significant accounting policies (Continued)

- (a) Changes in accounting policies (Continued)
- (i) FRS 139, Financial Instruments: Recognition and Measurement (Continued)

#### **III)** Derecognition (Continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

#### (ii) FRS 117, Leases

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

The following comparative figures have been restated following the adoption of amendment to FRS 117:

	31 July	31 July 2010		
	As Restated RM'000	As previously stated RM'000		
Cost	260,060	250,002		
Property, plant and equipment	268,960	258,003		
Prepaid lease payments		10,957		

## 3. Seasonal or cyclical factors

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

## 4. 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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## 5. Material changes in estimates

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

## 6. 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:-

	No. of	Lowest	Highest	Average	Total
	shares	price paid	price paid	price paid	consideration
Month	repurchased	(RM)	(RM)	(RM)	(RM)
August 2010	78,700	1.22	1.26	1.25	98,399
September 2010	224,400	1.30	1.41	1.36	304,648
	303,100				403,047

As at the date of this interim report, a total of 714,336 of the repurchased shares are being held as treasury shares and carried at cost.

## 7. Dividends paid

There is no dividend paid for the current period under review.

## 8. Segment information

	Period Ended 31 October 2010			
	Malaysia RM'000	Indonesia RM'000	Others RM'000	Total RM'000
External revenue	216,978	26,241	4,535	247,754
Inter-segment revenue	1,216			1,216
Segment profit/(loss) before tax	14,612	3,478	(97)	17,993

	Period Ended 31 October 2009			
	Malaysia RM'000	Indonesia RM'000	Others RM'000	Total RM'000
External revenue	159,230	12,588	5,014	176,832
Inter-segment revenue	1,112			1,112
Segment profit/(loss) before tax	7,090	1,436	(1,041)	7,485

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## 9. 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.

#### 10. 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.

## 11. 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 2010.

## 12. Related party transactions

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

	3 months ended 31 October		
	2010 RM'000	2009 RM'000	
Associates			
- Sales commission income/sales	232	30	
- Purchases	-	262	
- Sale of property, plant and equipment	42		
- Interest receivable	37	70	
A company in which certain Directors have substantial financial interest - Rental payable	58_	58_	
A company which is wholly owned by close family member of certain Directors - Purchases	204	183	
Companies in which a major shareholder has financial interest - Purchases	1,490	1,103	
Remuneration paid to staff who are close family member of certain Directors	129	120	

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

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## 13. Review of performance

For the current quarter under review, the Group recorded higher turnover of RM247.8 million as compared to RM176.8 million in the preceding year's corresponding quarter, whilst profit before tax was RM18.0 million versus RM7.5 million previously.

The commendable performance was mainly attributable to higher sales orders from key customers as well as lower share of losses from associates.

## 14. Variation of results against preceding quarter

The Group maintained revenues of RM247.8 million, compared to RM249.5 million in the previous quarter. The Group recorded a higher profit before tax of RM18.0 million from RM11.5 million in the preceding quarter mainly due to impairment loss on investment in an associate of RM4.9 million and higher share of losses in associates in the preceding quarter.

### 15. Current year prospects

The Board believes the global economy is gradually recovering, as indicated by improving sales orders quarter-on-quarter. The Group would continue to develop new customers and new market segments so as to broaden our earnings base. The Group has secured new production facilities for incoming new business. Barring any unforeseen circumstances, the Board is optimistic that this year the Group will perform better than the previous financial year.

#### 16. Profit forecast

Not applicable.

	3 months ended 31 October		3 months ended 31 October		
	2010	2009	2010	2009	
	RM'000	RM'000	RM'000	RM'000	
Tax expense					
Malaysian - Current period	4,007	2,854	4,007	2,854	
Overseas - Current period	567	386	567	386	
	4,574	3,240	4,574	3,240	
Deferred tax expense					
Malaysian - Current period	48	(27)	48	(27)	
Overseas - Current period	271	-	271	-	
	319	(27)	319	(27)	
	4,893	3,213	4,893	3,213	

## 17. Tax expense

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

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## 18. Unquoted investments and properties

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

## 19. Quoted investments

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

## 20. Status of uncompleted corporate proposals

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

## 21. Borrowing and debt securities

	31.10.2010 RM'000	31.07.2010 RM'000
Non-current		
Secured		
Term loans	1,266	1,515
Finance lease liabilities	2,945	3,562
	4,211	5,077
Unsecured		
Term loans	26,940	30,748
	31,151	35,825
Current		
Secured		
Term loans	826	872
Short term loan	5,100	5,227
Finance lease liabilities	2,534	2,698
	8,460	8,797
Unsecured		
Term loans	19,318	19,585
Bank overdraft	844	1,641
Revolving credit	24,999	25,375
Bankers' acceptance	74,701	78,821
	128,322	134,219
	159,473	170,044

Borrowings denominated in US Dollar amounted to RM23.8 million. (31.7.2010 : RM24.9 million)

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#### 22. Off balance sheet financial instruments

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

#### 23. 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.

#### 24. Dividends

- (a) An interim single tier dividend of 2 sen per ordinary share of RM1.00 each amounting to RM3.6 million was declared on 29 December 2010 for the financial year ending 31 July 2011 and will be paid on 28 February 2011 to shareholders whose names appear on the Company's Record of Depositors on 18 February 2010.
- (b) The total dividend per share for the current quarter is 2 sen (Quarter ended 31 October 2009; Nil).

## 25. 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 RM13.0 million and the weighted average number of ordinary shares of 179,063,000.

#### (b) Diluted earnings per share

**Property, planted and equipment**Contracted but not provided for

Not applicable.

### 26. Capital commitment

31 October 2010 RM'000