

**V.S. Industry Berhad**

(Company No. 88160-P)

(Incorporated in Malaysia)

**Interim Financial Report**  
**31 January 2011**

# V.S. Industry Berhad

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

## Condensed consolidated statement of financial position As at 31 January 2011 - unaudited

	31.01.2011 RM'000	31.07.2010 RM'000
<b>Assets</b>		
Property, plant and equipment	276,483	268,960
Biological assets	38,142	37,344
Investment properties	9,300	9,300
Investment in associates	95,473	95,661
Loan to an associate	1,022	1,928
Deferred tax assets	401	421
<b>Total non-current assets</b>	420,821	413,614
Inventories	81,308	77,380
Trade and other receivables	187,526	195,821
Cash and cash equivalents	74,181	67,364
<b>Total current assets</b>	343,015	340,565
<b>Total assets</b>	763,836	754,179
<b>Equity</b>		
Share capital	182,115	179,702
Reserves	207,498	194,885
<b>Total equity attributable to owners of the Company</b>	389,613	374,587
<b>Non-controlling interests</b>	19,074	19,242
<b>Total equity</b>	408,687	393,829
<b>Liabilities</b>		
Long term payables	4,322	4,322
Loans and borrowings	26,629	35,825
Deferred tax liabilities	26,112	25,575
<b>Total non-current liabilities</b>	57,063	65,722
Trade and other payables	156,662	156,677
Loans and borrowings	132,937	134,219
Taxation	8,487	3,732
<b>Total current liabilities</b>	298,086	294,628
<b>Total liabilities</b>	355,149	360,350
<b>Total equity and liabilities</b>	763,836	754,179
<b>Net assets per share of RM1.00 each</b>	2.15	2.09

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## Condensed consolidated statement of comprehensive income For the period ended 31 January 2011 - unaudited

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Revenue</b>	255,960	181,109	503,714	357,941
Cost of sales	(219,603)	(155,557)	(430,297)	(305,525)
<b>Gross profit</b>	36,357	25,552	73,417	52,416
Operating expenses	(19,775)	(14,645)	(36,583)	(29,385)
Net other expenses	(254)	(1,432)	(761)	(3,072)
<b>Results from operating activities</b>	16,328	9,475	36,073	19,959
Finance costs	(1,698)	(1,475)	(3,392)	(3,193)
Interest income	149	126	370	222
Share of loss of associates, net of tax	(807)	(1,060)	(1,086)	(2,437)
<b>Profit before tax</b>	13,972	7,066	31,965	14,551
Tax expense	(4,238)	(2,618)	(9,131)	(5,831)
<b>Profit for the period</b>	9,734	4,448	22,834	8,720
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations	(1,886)	4,827	(3,467)	2,410
<b>Total comprehensive income for the period</b>	7,848	9,275	19,367	11,130
<b>Profit attributable to:</b>				
Owners of the Company	10,100	4,435	23,114	8,494
Non-controlling interests	(366)	13	(280)	226
<b>Profit for the period</b>	9,734	4,448	22,834	8,720
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	8,743	9,199	20,578	10,737
Non-controlling interests	(895)	76	(1,211)	393
<b>Total comprehensive income for the period</b>	7,848	9,275	19,367	11,130
<b>Earnings per ordinary share</b>				
Basic (sen)	5.60	2.47	12.86	4.74
Diluted (sen)	5.43	n/a	12.47	n/a

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## Condensed consolidated statement of changes in equity For the period ended 31 January 2011 - unaudited

	Share capital RM'000	Non- distributable Reserve RM'000	Distributable Retained profits RM'000	Total RM'000	Non- Controlling Interest RM'000	Total equity RM'000
<b>At 1 August 2010</b>	179,702	65,657	129,228	374,587	19,242	393,829
Share buy back	--	(403)	--	(403)	--	(403)
Profit for the period	--	--	23,114	23,114	(280)	22,834
Other comprehensive income	--	(2,970)	434	(2,536)	(931)	(3,467)
Total comprehensive income for the period	--	(2,970)	23,548	20,578	(1,211)	19,367
Dividends to shareholders – 2010 Final	--	--	(9,061)	(9,061)	--	(9,061)
Increase in share capital in a subsidiary	--	--	--	--	1,043	1,043
Issue of shares pursuant to ESOS	2,413	1,303	--	3,716	--	3,716
Equity settled share-based transactions	--	196	--	196	--	196
<b>At 31 January 2011</b>	<b>182,115</b>	<b>63,783</b>	<b>143,715</b>	<b>389,613</b>	<b>19,074</b>	<b>408,687</b>
<b>At 1 August 2009</b>	179,702	69,045	109,069	357,816	18,115	375,931
Profit for the period	--	--	8,494	8,494	226	8,720
Other comprehensive income	--	1,793	450	2,243	167	2,410
Total comprehensive income for the period	--	1,793	8,944	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
<b>At 31 January 2010</b>	<b>179,702</b>	<b>70,838</b>	<b>115,682</b>	<b>366,222</b>	<b>20,136</b>	<b>386,358</b>

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## Condensed consolidated statement of cash flows For the period ended 31 January 2011 - unaudited

	6 months ended 31 January	
	2011 RM'000	2010 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	31,965	14,551
Adjustments for non-cash flow:		
Depreciation	13,921	14,096
Other non-cash items	(417)	3,857
Non-operating items	5,590	5,259
<b>Operating profit before changes in working capital</b>	<u>51,059</u>	<u>37,763</u>
Changes in working capital:		
Net change in current assets	4,312	(5,081)
Net change in current liabilities	(2,066)	(8,711)
Interest and tax paid	(3,524)	(5,388)
<b>Net cash from operating activities</b>	<u>49,781</u>	<u>18,583</u>
<b>Cash flows from investing activities</b>	<u>(22,033)</u>	<u>(16,629)</u>
<b>Cash flows from financing activities</b>		
Bank borrowings	(13,156)	(28,414)
Funds from non-controlling interests	1,043	1,628
Transactions with shareholders	(5,345)	(2,331)
Repurchase of treasury shares	(403)	-
<b>Net cash used in financing activities</b>	<u>(17,861)</u>	<u>(29,117)</u>
Exchange differences on translation of the financial statements of foreign operations	(2,536)	2,243
<b>Net change in cash and cash equivalents</b>	7,351	(24,920)
<b>Cash and cash equivalents at beginning of period</b>	65,723	52,875
Foreign exchange differences on opening balances	(58)	28
<b>Cash and cash equivalents at end of period</b>	<u>73,016</u>	<u>27,983</u>
<b>Cash and cash equivalent comprise:</b>		
Cash and bank balances	63,865	16,560
Deposit with licensed banks	10,316	12,018
Bank overdrafts	(1,165)	(595)
	<u>73,016</u>	<u>27,983</u>

# V.S. Industry Berhad

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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 six months period ended 31 January 2011 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 30 March 2011.

## **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 January 2011	
	As Restated RM'000	As previously stated RM'000
<i>Cost</i>		
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 the following:-

### (a) Issuance of shares

2,413,000 ordinary shares of RM1.00 each was issued during the financial year to date pursuant to the exercise of share options under the Company's Employees Share Option Scheme.

### (b) Share repurchase

The shares repurchased during the financial year to date and are being held as treasury shares are as follows:-

Month	No. of shares repurchased	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration (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 727,336 of the repurchased shares are being held as treasury shares and carried at cost.

## 7. Dividends paid

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

- (a) a final single tier dividend of 5 sen per ordinary share of RM1.00 each totalling RM9,060,879 in respect of the financial year ended 31 July 2010 on 24 January 2011; and
- (b) an interim single tier dividend of 2 sen per ordinary share of RM1.00 each totalling RM3,628,835 in respect of the financial year ending 31 July 2011 on 28 February 2011.

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## 8. Segment information

	Period Ended 31 January 2011			
	Malaysia RM'000	Indonesia RM'000	Others RM'000	Total RM'000
External revenue	445,835	48,536	9,343	503,714
Inter-segment revenue	2,081	--	--	2,081
Segment profit/(loss) before tax	27,925	5,579	(1,539)	31,965

	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

## 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

On 14 March 2011, the Company announced that its direct interest in V.S. International Group Limited ("VSIG") has increased from 42.91% to 43.11% following the completion of the rights issue undertaken by VSIG.

## 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.

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## 12. Related party transactions

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

	6 months ended 31 January	
	2011 RM'000	2010 RM'000
<b>Associates</b>		
- Sales commission income/sales	377	41
- Purchases	289	262
- Sale of property, plant and equipment	42	--
- Interest receivable	75	139
	<u>116</u>	<u>116</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	604	456
	<u>604</u>	<u>456</u>
<b>Companies in which a major shareholder has financial interest</b>		
- Purchases	3,011	2,286
	<u>3,011</u>	<u>2,286</u>
<b>Remuneration paid to staff who are close family member of certain Directors</b>		
	355	256
	<u>355</u>	<u>256</u>

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

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## **Additional Information on Interim Financial Report required on the Bursa Malaysia Listing Requirements**

### **13. Review of performance**

For the current quarter under review, the Group recorded higher turnover of RM256.0 million as compared to RM181.1 million in the preceding year's corresponding quarter, whilst profit before tax was RM14.0 million versus RM7.1 million previously.

For the six months ended 31 January 2011, the Group recorded higher turnover of RM503.7 million as compared to RM357.9 million of the corresponding period of the preceding year, whilst profit before tax was RM32.0 million versus RM14.6 million.

The commendable performance was mainly attributable to higher sales generated by the Malaysian and Indonesian operations.

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

The Group's revenue increased marginally from the preceding quarter of RM247.8 million to the current quarter of RM256.0 million. However, the Group recorded a lower profit before tax of RM14.0 million from RM18.0 million in the preceding quarter mainly due to higher material cost.

### **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.

As at today, the Japan earthquake and nuclear crisis has no immediate significant impact to our business. However, we are still uncertain of the future impact in regards to disruption in the whole supply chain should there be any negative development of the nuclear crisis. Barring the above and any other unforeseen circumstances, the Board is optimistic that this year the Group will perform better than the previous financial year.

### **16. Profit forecast**

Not applicable.

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## 17. Tax expense

	3 months ended 31 January		6 months ended 31 January	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Tax expense				
Malaysian - Current period	3,581	1,748	7,588	4,602
Overseas - Current period	394	126	961	512
	3,975	1,874	8,549	5,114
Deferred tax expense				
Malaysian - Current period	94	681	142	654
Overseas - Current period	169	63	440	63
	263	744	582	717
	<u>4,238</u>	<u>2,618</u>	<u>9,131</u>	<u>5,831</u>

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

## 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.

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## 21. Borrowing and debt securities

	31.01.2011 RM'000	31.07.2010 RM'000
<b>Non-current</b>		
<b><i>Secured</i></b>		
Term loans	1,038	1,515
Finance lease liabilities	2,877	3,562
	<u>3,915</u>	<u>5,077</u>
<b><i>Unsecured</i></b>		
Term loans	22,714	30,748
	<u>26,629</u>	<u>35,825</u>
<b>Current</b>		
<b><i>Secured</i></b>		
Term loans	829	872
Short term loan	5,035	5,227
Finance lease liabilities	2,380	2,698
	<u>8,244</u>	<u>8,797</u>
<b><i>Unsecured</i></b>		
Term loans	18,332	19,585
Bank overdraft	1,165	1,641
Revolving credit	24,808	25,375
Bankers' acceptance	80,388	78,821
	<u>132,937</u>	<u>134,219</u>
	<u>159,566</u>	<u>170,044</u>

Borrowings denominated in US Dollar amounted to RM23.0 million.  
(31.7.2010 : RM24.9 million)

## 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.

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## 24. Dividends

- (a) A second interim single tier dividend of 2.5 sen per ordinary share of RM1.00 each amounting to RM4.5 million was declared on 30 March 2011 for the financial year ending 31 July 2011 and will be paid on 5 May 2011 to shareholders whose names appear on the Company's Record of Depositors on 20 April 2011.
- (b) An interim single tier dividend of 2 sen per ordinary share of RM1.00 each amounting to RM3.6 million for the financial year ending 31 July 2011 have been paid on 28 February 2011 to shareholders whose names appear on the Company's Record of Depositors on 18 February 2011.
- (c) The total dividend per share for the current quarter is 4.5 sen (Quarter ended 31 January 2010: 1.5 sen).

## 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 owners of the Company of RM10.1 million and RM23.1 million respectively and the weighted average number of ordinary shares of 180,503,000 and 179,783,000 respectively.

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

The calculation of diluted earnings per share for the current quarter and financial year-to-date are based on net profit attributable to owners of the Company of RM10.1 million and RM23.1 million respectively and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 186,097,000 and 185,377,000 respectively.

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## 26. Disclosure of realised and unrealised profits/losses

	<b>Current Quarter 31.01.2011</b>	<b>Preceding Quarter 31.10.2010</b>
Total retained profits of the Company and its subsidiaries		
- Realised	99,914	96,999
- Unrealised	(23,998)	(23,400)
	<u>75,916</u>	<u>73,599</u>
Total share of retained profit from associates		
- Realised	37,820	39,145
- Unrealised	106	(508)
	<u>113,842</u>	<u>112,236</u>
Consolidation adjustments	29,873	30,221
Total group retained profit as per consolidated accounts	<u>143,715</u>	<u>142,457</u>