

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Interim Financial Report
30 April 2011

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated statement of financial position As at 30 April 2011 - unaudited

	30.04.2011 RM'000	31.07.2010 RM'000
Assets		
Property, plant and equipment	273,140	268,960
Biological assets	39,918	37,344
Investment properties	9,300	9,300
Investment in associates	95,527	95,661
Loan to an associate	-	1,928
Deferred tax assets	410	421
Total non-current assets	418,295	413,614
Inventories	79,583	77,380
Trade and other receivables	220,457	195,821
Cash and cash equivalents	64,572	67,364
Total current assets	364,612	340,565
Total assets	782,907	754,179
Equity		
Share capital	182,274	179,702
Reserves	215,397	194,885
Total equity attributable to owners of the Company	397,671	374,587
Non-controlling interests	20,177	19,242
Total equity	417,848	393,829
Liabilities		
Long term payables	4,322	4,322
Loans and borrowings	31,211	35,825
Deferred tax liabilities	27,432	25,575
Total non-current liabilities	62,965	65,722
Trade and other payables	167,909	156,677
Loans and borrowings	127,195	134,219
Taxation	6,990	3,732
Total current liabilities	302,094	294,628
Total liabilities	365,059	360,350
Total equity and liabilities	782,907	754,179
Net assets per share of RM1.00 each	2.19	2.09

V.S. Industry Berhad

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

Condensed consolidated statement of comprehensive income For the period ended 30 April 2011 - unaudited

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue	262,652	192,716	766,366	550,657
Cost of sales	(222,106)	(161,100)	(652,403)	(466,625)
Gross profit	40,546	31,616	113,963	84,032
Operating expenses	(20,383)	(15,032)	(56,966)	(44,417)
Net other expenses	449	(3,975)	(312)	(7,047)
Results from operating activities	20,612	12,609	56,685	32,568
Finance costs	(1,710)	(1,603)	(5,102)	(4,796)
Interest income	201	97	571	319
Share of loss of associates, net of tax	(5,025)	(340)	(6,111)	(2,777)
Profit before tax	14,078	10,763	46,043	25,314
Tax expense	(4,766)	(4,416)	(13,897)	(10,247)
Profit for the period	9,312	6,347	32,146	15,067
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	1,207	(8,108)	(2,260)	(5,698)
Total comprehensive income for the period	10,519	(1,761)	29,886	9,369
Profit attributable to:				
Owners of the Company	8,562	6,509	31,676	15,003
Non-controlling interests	750	(162)	470	64
Profit for the period	9,312	6,347	32,146	15,067
Total comprehensive income attributable to:				
Owners of the Company	9,416	(1,947)	29,994	8,790
Non-controlling interests	1,103	186	(108)	579
Total comprehensive income for the period	10,519	(1,761)	29,886	9,369
Earnings per ordinary share				
Basic (sen)	4.72	3.63	17.56	8.37
Diluted (sen)	4.61	n/a	17.17	n/a

V.S. Industry Berhad

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

Condensed consolidated statement of changes in equity For the period ended 30 April 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
At 1 August 2010	179,702	65,657	129,228	374,587	19,242	393,829
Share buy back	--	(427)	--	(427)	--	(427)
Profit for the period	--	--	31,676	31,676	470	32,146
Other comprehensive income	--	(2,332)	650	(1,682)	(578)	(2,260)
Total comprehensive income for the period	--	(2,332)	32,326	29,994	(108)	29,886
Dividends to shareholders	--	--	(12,690)	(12,690)	--	(12,690)
Increase in share capital in a subsidiary	--	--	--	--	1,043	1,043
Issue of shares pursuant to ESOS	2,572	1,389	--	3,961	--	3,961
Equity settled share-based transactions	--	2,246	--	2,246	--	2,246
At 30 April 2011	182,274	66,533	148,864	397,671	20,177	417,848
At 1 August 2009	179,702	69,045	109,069	357,816	18,115	375,931
Share buy back	--	(17)	--	(17)	--	(17)
Profit for the period	--	--	15,003	15,003	64	15,067
Other comprehensive income	--	(6,883)	670	(6,213)	515	(5,698)
Total comprehensive income for the period	--	(6,883)	15,673	8,790	579	9,369
Dividends to shareholders	--	--	(5,021)	(5,021)	--	(5,021)
Increase in share capital in a subsidiary	--	--	--	--	821	821
At 30 April 2010	179,702	62,145	119,721	361,568	19,515	381,083

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated statement of cash flows For the period ended 30 April 2011 - unaudited

	9 months ended 30 April	
	2011 RM'000	2010 RM'000
Cash flows from operating activities		
Profit before tax	46,043	25,314
Adjustments for non-cash flow:		
Depreciation	21,030	21,097
Other non-cash items	3,533	5,898
Non-operating items	12,268	6,929
Operating profit before changes in working capital	<u>82,874</u>	<u>59,238</u>
Changes in working capital:		
Net change in current assets	(26,894)	(40,923)
Net change in current liabilities	15,269	25,422
Interest and tax paid	(8,299)	(8,360)
Net cash from operating activities	<u>62,950</u>	<u>35,377</u>
Cash flows from investing activities	<u>(39,503)</u>	<u>(16,399)</u>
Cash flows from financing activities		
Bank borrowings	(14,984)	(5,542)
Funds from non-controlling interests	1,043	821
Transactions with shareholders	(8,729)	(5,021)
Repurchase of treasury shares	(427)	(17)
Net cash used in financing activities	<u>(23,097)</u>	<u>(9,759)</u>
Exchange differences on translation of the financial statements of foreign operations	(1,682)	(6,213)
Net change in cash and cash equivalents	(1,332)	3,006
Cash and cash equivalents at beginning of period	65,723	52,875
Foreign exchange differences on opening balances	(25)	(71)
Cash and cash equivalents at end of period	<u>64,366</u>	<u>55,810</u>
Cash and cash equivalent comprise:		
Cash and bank balances	49,559	33,319
Deposit with licensed banks	15,013	23,543
Bank overdrafts	(206)	(1,052)
	<u>64,366</u>	<u>55,810</u>

V.S. Industry Berhad

(Company No. 88160-P)
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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 nine months period ended 30 April 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 27 June 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:

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

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 2010	
	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.

V.S. Industry Berhad

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

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

2,571,600 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
March 2011	13,000	1.83	1.84	1.85	24,044
	316,100				427,091

As at the date of this interim report, a total of 753,036 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;
- (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; and
- (c) a second interim single tier dividend of 2.5 sen per ordinary share of RM1.00 each totalling RM4,537,224 in respect of the financial year ending 31 July 2011 on 5 May 2011.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

8. Segment information

	Period Ended 30 April 2011			Total RM'000
	Malaysia RM'000	Indonesia RM'000	Others RM'000	
External revenue	682,075	69,443	14,848	766,366
Inter-segment revenue	3,051	--	--	3,051
Segment profit/(loss) before tax	44,602	7,441	(6,000)	46,043

	Period Ended 30 April 2010			Total RM'000
	Malaysia RM'000	Indonesia RM'000	Others 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

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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

12. Related party transactions

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

	9 months ended 30 April	
	2011 RM'000	2010 RM'000
Associates		
- Sales commission income/sales	579	363
- Purchases	823	449
- Sale of property, plant and equipment	42	--
- Interest receivable	99	191
	<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	1,379	877
	<u> </u>	<u> </u>
Companies in which a major shareholder has financial interest		
- Purchases	4,783	3,736
	<u> </u>	<u> </u>
Remuneration paid to staff who are close family member of certain Directors	485	428
	<u> </u>	<u> </u>

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)

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 RM262.7 million as compared to RM192.7 million in the preceding year's corresponding quarter, whilst profit before tax was RM14.1 million versus RM10.8 million previously.

For the nine months ended 30 April 2011, the Group recorded higher turnover of RM766.4 million as compared to RM550.7 million of the corresponding period of the preceding year, whilst profit before tax was RM46.0 million versus RM25.3 million.

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

14. Variation of results against preceding quarter

For the current quarter under review, the profit before tax of RM14.1 million was comparable to that of the preceding quarter.

15. Current year prospects

As at today, the disruption in the whole supply chain following the Japan earthquake has no significant impact to our business.

The Malaysian and Indonesian operations are expected to receive additional orders in the fourth quarter. However, we are cautiously monitoring our associate company in China due to escalating operating costs mainly the increase in labour and financial costs.

Barring any unforeseen circumstances, the Board is optimistic that overall this year the Group will perform better than the previous financial year.

16. Profit forecast

Not applicable.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

17. Tax expense

	3 months ended 30 April		9 months ended 30 April	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Tax expense				
Malaysian - Current period	3,301	3,456	10,889	8,058
Overseas - Current period	164	480	1,125	992
	3,465	3,936	12,014	9,050
Deferred tax expense				
Malaysian - Current period	1,232	434	1,374	1,088
Overseas - Current period	69	46	509	109
	1,301	480	1,883	1,197
	<u>4,766</u>	<u>4,416</u>	<u>13,897</u>	<u>10,247</u>

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

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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

21. Borrowing and debt securities

	30.04.2011 RM'000	31.07.2010 RM'000
Non-current		
<i>Secured</i>		
Term loans	795	1,515
Finance lease liabilities	2,437	3,562
	<u>3,232</u>	<u>5,077</u>
<i>Unsecured</i>		
Term loans	27,979	30,748
	<u>31,211</u>	<u>35,825</u>
Current		
<i>Secured</i>		
Term loans	815	872
Short term loan	4,296	5,227
Finance lease liabilities	2,136	2,698
	<u>7,247</u>	<u>8,797</u>
<i>Unsecured</i>		
Term loans	18,531	19,585
Bank overdraft	206	1,641
Revolving credit	24,319	25,375
Bankers' acceptance	76,892	78,821
	<u>127,195</u>	<u>134,219</u>
	<u>158,406</u>	<u>170,044</u>

Borrowings denominated in US Dollar amounted to RM21.2 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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

24. Dividends

- (a) A third interim single tier dividend of 1.5 sen per ordinary share of RM1.00 each amounting to RM2.7 million was declared on 27 June 2011 for the financial year ending 31 July 2011 and will be paid on 29 July 2011 to shareholders whose names appear on the Company's Record of Depositors on 18 July 2011.
- (b) A second interim single tier dividend of 2.5 sen per ordinary share of RM1.00 each amounting to RM4.5 million for the financial year ending 31 July 2011 have been paid on 5 May 2011 to shareholders whose names appear on the Company's Record of Depositors on 20 April 2011.
- (c) 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.
- (d) The total dividend per share for the current financial year is 6.0 sen (previous year corresponding period: 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 RM8.6 million and RM31.7 million respectively and the weighted average number of ordinary shares of 181,513,000 and 180,360,000 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 RM8.6 million and RM31.7 million respectively and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 185,625,000 and 184,500,000 respectively.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

26. Disclosure of realised and unrealised profits/losses

	Current Quarter 30.04.2011	Preceding Quarter 31.01.2011
Total retained profits of the Company and its subsidiaries		
- Realised	112,126	99,914
- Unrealised	(24,307)	(23,998)
	<hr/> 87,819	<hr/> 75,916
Total share of retained profit from associates		
- Realised	32,879	37,820
- Unrealised	115	106
	<hr/> 120,813	<hr/> 113,842
Consolidation adjustments	28,051	29,873
Total group retained profit as per consolidated accounts	<hr/> <hr/> 148,864	<hr/> <hr/> 143,715