

**V.S. Industry Berhad**

(Company No. 88160-P)

(Incorporated in Malaysia)

**Interim Financial Report**  
**31 July 2011**

# V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

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

	31.07.2011 RM'000	31.07.2010 RM'000
<b>Assets</b>		
Property, plant and equipment	258,001	268,960
Biological assets	-	37,344
Investment properties	9,300	9,300
Investment in associates	91,977	95,661
Loan to an associate	-	1,928
Deferred tax assets	-	421
<b>Total non-current assets</b>	<b>359,278</b>	<b>413,614</b>
Inventories	87,227	77,380
Trade and other receivables	209,801	195,821
Assets held for sale	42,831	-
Cash and cash equivalents	71,853	67,364
<b>Total current assets</b>	<b>411,712</b>	<b>340,565</b>
<b>Total assets</b>	<b>770,990</b>	<b>754,179</b>
<b>Equity</b>		
Share capital	182,327	179,702
Reserves	216,851	194,885
Amount recognized directly in equity relating to assets held for sale	(9,794)	-
<b>Total equity attributable to owners of the Company</b>	<b>389,384</b>	<b>374,587</b>
<b>Non-controlling interests</b>	<b>13,612</b>	<b>19,242</b>
<b>Total equity</b>	<b>402,996</b>	<b>393,829</b>
<b>Liabilities</b>		
Long term payables	4,322	4,322
Loans and borrowings	29,509	35,825
Deferred tax liabilities	26,038	25,575
<b>Total non-current liabilities</b>	<b>59,869</b>	<b>65,722</b>
Trade and other payables	181,780	156,677
Loans and borrowings	105,320	134,219
Taxation	3,769	3,732
Liabilities held for sale	17,256	-
<b>Total current liabilities</b>	<b>308,125</b>	<b>294,628</b>
<b>Total liabilities</b>	<b>367,994</b>	<b>360,350</b>
<b>Total equity and liabilities</b>	<b>770,990</b>	<b>754,179</b>
<b>Net assets per share of RM1.00 each</b>	<b>2.14</b>	<b>2.09</b>

# V.S. Industry Berhad

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

	Individual 3 months ended 31 July		Cumulative 12 months ended 31 July	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Revenue</b>	262,627	249,513	1,028,993	800,170
Cost of sales	(228,668)	(212,269)	(881,071)	(678,894)
<b>Gross profit</b>	33,959	37,244	147,922	121,276
Operating expenses	(21,489)	(18,520)	(78,455)	(62,937)
Net other expenses	(15,883)	(5,409)	(16,195)	(12,456)
<b>Results from operating activities</b>	(3,413)	13,315	53,272	45,883
Finance costs	(1,276)	(1,220)	(6,378)	(6,016)
Interest income	185	281	756	600
Share of loss of associates, net of tax	(4,380)	(871)	(10,491)	(3,648)
<b>Profit before tax</b>	(8,884)	11,505	37,159	36,819
Tax expense	(1,826)	(3,041)	(15,723)	(13,288)
<b>Profit for the period</b>	(10,710)	8,464	21,436	23,531
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations	1,160	3,340	(1,100)	(2,358)
<b>Total comprehensive income for the period</b>	(9,550)	11,804	20,336	21,173
<b>Profit attributable to:</b>				
Owners of the Company	(3,955)	9,287	27,721	24,290
Non-controlling interests	(6,755)	(823)	(6,285)	(759)
<b>Profit for the period</b>	(10,710)	8,464	21,436	23,531
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	(2,838)	12,538	27,156	21,328
Non-controlling interests	(6,712)	(734)	(6,820)	(155)
<b>Total comprehensive income for the period</b>	(9,550)	11,804	20,336	21,173
<b>Earnings/(Loss) per ordinary share</b>				
Basic (sen)	(2.18)	5.18	15.34	13.55
Diluted (sen)	anti-dilutive	n/a	15.07	n/a

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## Condensed consolidated statement of changes in equity For the period ended 31 July 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	--	(469)	--	(469)	--	(469)
Profit for the period	--	--	27,721	27,721	(6,285)	21,436
Other comprehensive income	--	(1,400)	835	(565)	(535)	(1,100)
Total comprehensive income for the period	--	(1,400)	28,556	27,156	(6,820)	20,336
Dividends to shareholders	--	--	(19,951)	(19,951)	--	(19,951)
Increase in share capital in a subsidiary	--	--	--	--	1,043	1,043
Issue of shares pursuant to ESOS	2,625	1,418	--	4,043	--	4,043
Equity settled share-based transactions	--	4,018	--	4,018	147	4,165
<b>At 31 July 2011</b>	<b>182,327</b>	<b>69,224</b>	<b>137,833</b>	<b>389,384</b>	<b>13,612</b>	<b>402,996</b>
<b>At 1 August 2009</b>	179,702	69,045	109,069	357,816	18,115	375,931
Share buy back	--	(49)	--	(49)	--	(49)
Profit for the period	--	--	24,290	24,290	(759)	23,531
Other comprehensive income	--	(3,852)	890	(2,962)	604	(2,358)
Total comprehensive income for the period	--	(3,852)	25,180	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 transaction in an associate	--	513	--	513	--	513
<b>At 31 July 2010</b>	<b>179,702</b>	<b>65,657</b>	<b>129,228</b>	<b>374,587</b>	<b>19,242</b>	<b>393,829</b>

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

	12 months ended 31 July	
	2011 RM'000	2010 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	37,159	36,819
Adjustments for non-cash flow:		
Depreciation	28,375	28,150
Other non-cash items	19,488	14,395
Non-operating items	17,451	9,556
<b>Operating profit before changes in working capital</b>	102,473	88,920
Changes in working capital:		
Net change in current assets	(29,176)	(73,499)
Net change in current liabilities	30,026	43,402
Interest and tax paid	(14,731)	(9,777)
<b>Net cash from operating activities</b>	88,592	49,046
<b>Cash flows from investing activities</b>	(41,358)	(15,232)
<b>Cash flows from financing activities</b>		
Bank borrowings	(25,750)	(14,178)
Funds from non-controlling interests	1,043	1,282
Transactions with shareholders	(15,908)	(5,021)
Repurchase of treasury shares	(469)	(49)
<b>Net cash used in financing activities</b>	(41,084)	(17,966)
Exchange differences on translation of the financial statements of foreign operations	(565)	(2,962)
<b>Net change in cash and cash equivalents</b>	5,585	12,886
<b>Cash and cash equivalents at beginning of period</b>	65,723	52,875
Foreign exchange differences on opening balances	(21)	(38)
<b>Cash and cash equivalents at end of period</b>	71,287	65,723
<b>Cash and cash equivalent comprise:</b>		
Cash and bank balances	52,864	49,119
Deposit with licensed banks	18,989	18,245
Bank overdrafts	(566)	(1,641)
	71,287	65,723

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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 twelve months period ended 31 July 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 29 September 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 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.



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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

2,624,600 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
June 2011	25,700	1.62	1.65	1.64	42,082
Total	341,800				469,173

As at the date of this interim report, a total of 912,636 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 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;
- 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 ended 31 July 2011 on 28 February 2011;
- 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 ended 31 July 2011 on 5 May 2011; and

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- (d) a third interim single tier dividend of 1.5 sen per ordinary share of RM1.00 each totalling RM2,723,595 in respect of the financial year ended 31 July 2011 on 29 July 2011.

## 8. Segment information

	Period Ended 31 July 2011			
	Malaysia RM'000	Indonesia RM'000	Others RM'000	Total RM'000
External revenue	916,034	95,108	17,851	1,028,993
Inter-segment revenue	3,516	--	--	3,516
Segment profit/(loss) before tax	53,824	(6,593)	(10,072)	37,159

	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

## 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 43.06% 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: -

	12 months ended 31 July	
	2011 RM'000	2010 RM'000
<b>Associates</b>		
- Sales commission income/sales	671	914
- Purchases	1,011	1,174
- Sale of property, plant and equipment	42	--
- Interest receivable	122	243
	<u>          </u>	<u>          </u>
<b>A company in which certain Directors have substantial financial interest</b>		
- Rental payable	233	233
	<u>          </u>	<u>          </u>
<b>A company which is wholly owned by close family member of certain Directors</b>		
- Purchases	2,007	936
	<u>          </u>	<u>          </u>
<b>Companies in which a major shareholder has financial interest</b>		
- Purchases	6,649	5,278
	<u>          </u>	<u>          </u>
<b>Remuneration paid to staff who are close family member of certain Directors</b>	615	548
	<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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## 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 a turnover of RM262.6 million as compared to RM249.5 million in the preceding year's corresponding quarter, whilst the Group incurred a loss before tax of RM8.9 million as compared to profit before tax of RM11.5 million previously. The loss before tax was mainly due to the write down of net assets of the subsidiary, namely PT. GY Plantation Indonesia of RM10.6 million, amortisation of cost of ESOS of RM1.9 million, higher share of losses from associates and increased competitiveness in the electronic manufacturing services sector in the current quarter.

For the financial year ended 31 July 2011, the Group recorded higher turnover of RM1,029 million as compared to RM800 million previously, whilst profit before tax was RM37.2 million versus RM36.8 million previously.

The positive performance attributable to higher sales generated by the Malaysian and Indonesian operations was offset by the effects of the followings:-

	<b>FY2011</b>	<b>FY2010</b>
	<b>RM'mil</b>	<b>RM'mil</b>
Write down of net assets of a subsidiary	10.6	-
Allowance for doubtful debts	4.6	3.0
Amortisation of cost of ESOS	3.9	-
Impairment on investment in associate	0.8	10.9
Share of loss of associates	10.5	3.6

### 14. Variation of results against preceding quarter

For the current quarter under review, the Group recorded a loss before tax of RM8.9 million as compared to profit before tax of RM14.1 million in the preceding quarter mainly due to the write down of net assets of the subsidiary, namely PT. GY Plantation Indonesia of RM10.6 million, allowance for doubtful debts of RM4.6 million coupled with increased competitiveness in the electronic manufacturing services sector.

### 15. Current year prospects

The Board is mindful of the current challenges faced by the global economy, thus expects a challenging financial year ahead.

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## 16. Profit forecast

Not applicable.

## 17. Tax expense

	3 months ended 31 July		12 months ended 31 July 2011	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Tax expense				
Malaysian - Current period	2,746	3,406	13,635	11,464
- Prior years	(310)	(857)	(310)	(857)
Overseas - Current period	1,003	229	2,128	1,221
- Prior years	(64)	-	(64)	-
	3,375	2,778	15,389	11,828
Deferred tax expense				
Malaysian - Current period	(467)	1,015	907	2,103
- Prior years	(511)	(952)	(511)	(952)
Overseas - Current period	(571)	200	(62)	309
	(1,549)	263	334	1,460
	<u>1,826</u>	<u>3,041</u>	<u>15,723</u>	<u>13,288</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

On 21 July 2011, the Company had announced the disposal of PT.GY Plantation Indonesia ("PTGY"), a 53% owned subsidiary of V.S. Holdings (M) Ltd ("VSH").

As at todate, the disposal are yet to be completed. The expected loss arising from the disposal amounting to RM10.6 million has been incorporated in this interim report.

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## 21. Borrowing and debt securities

	30.07.2011 RM'000	31.07.2010 RM'000
<b>Non-current</b>		
<b><i>Secured</i></b>		
Term loans	579	1,515
Finance lease liabilities	1,894	3,562
	<u>2,473</u>	<u>5,077</u>
<b><i>Unsecured</i></b>		
Term loans	27,036	30,748
	<u>29,509</u>	<u>35,825</u>
<b>Current</b>		
<b><i>Secured</i></b>		
Term loans	824	872
Short term loan	4,275	5,227
Finance lease liabilities	1,822	2,698
	<u>6,921</u>	<u>8,797</u>
<b><i>Unsecured</i></b>		
Term loans	18,890	19,585
Bank overdraft	566	1,641
Revolving credit	10,000	25,375
Bankers' acceptance	68,943	78,821
	<u>105,320</u>	<u>134,219</u>
	<u>134,829</u>	<u>170,044</u>

Borrowings denominated in US Dollar amounted to RM6.3 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 fourth interim single tier dividend of 3 sen per ordinary share of RM1.00 each amounting to RM5.5 million was declared on 29 September 2011 for the financial year ended 31 July 2011 and will be paid on 28 October 2011 to shareholders whose names appear on the Company's Record of Depositors on 14 October 2011.
- (b) The total dividend per share for the current financial year is 9.0 sen (2010: 6.5 sen)

## 25. Earnings per share

### (a) *Basic earnings per share*

The calculation of basic (loss)/earnings per share for the current quarter and financial year-to-date are based on net (loss)/profit attributable to owners of the Company of RM(4.0) million and RM27.7 million respectively and the weighted average number of ordinary shares of 181,574,000 and 180,661,000 respectively.

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

No disclosure is made for the diluted earnings per share for the current quarter as it is anti-dilutive.

The calculation of diluted earnings per share for the financial year-to-date is based on net profit attributable to owners of the Company of RM27.7 million and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 184,008,000 .

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

	<b>Current Quarter 31.07.2011</b>	<b>Preceding Quarter 30.04.2011</b>
Total retained profits of the Company and its subsidiaries		
- Realised	106,883	112,126
- Unrealised	(25,014)	(24,307)
	<hr/> 81,869	<hr/> 87,819
Total share of retained profit from associates		
- Realised	31,522	32,879
- Unrealised	(2,847)	115
	<hr/> 110,544	<hr/> 120,813
Consolidation adjustments	27,289	28,051
Total group retained profit as per consolidated accounts	<hr/> <hr/> 137,833	<hr/> <hr/> 148,864