

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

**Interim Financial Report
31 October 2011**

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated statement of financial position

As at 31 October 2011 - unaudited

	31.10.2011 RM'000	31.07.2011 RM'000
Assets		
Property, plant and equipment	267,458	264,552
Investment properties	9,300	9,300
Investment in associates	94,908	91,977
Total non-current assets	371,666	365,829
Inventories	80,980	87,227
Trade and other receivables	217,360	203,250
Assets classified as held for sale	-	42,831
Cash and cash equivalents	114,735	71,853
Total current assets	413,075	405,161
Total assets	784,741	770,990
Equity		
Share capital	182,327	182,327
Reserves	213,242	222,582
Amount recognised directly in equity relating to assets held for sale	-	(15,525)
Total equity attributable to owners of the Company	395,569	389,384
Non-controlling interests	1,101	13,612
Total equity	396,670	402,996
Liabilities		
Long term payables	4,322	4,322
Loans and borrowings	26,264	29,509
Deferred tax liabilities	26,768	26,038
Total non-current liabilities	57,354	59,869
Trade and other payables	220,260	181,780
Loans and borrowings	106,547	105,320
Taxation	3,910	3,769
Liabilities classified as held for sale	-	17,256
Total current liabilities	330,717	308,125
Total liabilities	388,071	367,994
Total equity and liabilities	784,741	770,990
Net assets per share of RM1.00 each	2.18	2.14

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

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Continuing operations				
Revenue	282,438	247,394	282,438	247,394
Cost of sales	<u>(246,355)</u>	<u>(210,190)</u>	<u>(246,355)</u>	<u>(210,190)</u>
Gross profit	36,083	37,204	36,083	37,204
Operating expenses	(20,650)	(16,748)	(20,650)	(16,748)
Net other expenses	<u>994</u>	<u>(576)</u>	<u>994</u>	<u>(576)</u>
Results from operating activities	16,427	19,880	16,427	19,880
Finance costs	(1,628)	(1,694)	(1,628)	(1,694)
Interest income	265	221	265	221
Share of profit/(loss) of associates, net of tax	<u>(2,134)</u>	<u>(279)</u>	<u>(2,134)</u>	<u>(279)</u>
Profit before tax	12,930	18,128	12,930	18,128
Tax expense	<u>(4,350)</u>	<u>(4,893)</u>	<u>(4,350)</u>	<u>(4,893)</u>
Profit from continuing operations	<u>8,580</u>	<u>13,235</u>	<u>8,580</u>	<u>13,235</u>
Discontinued operation				
Profit/(Loss) from discontinued operation, net of tax	<u>1,980</u>	<u>(135)</u>	<u>1,980</u>	<u>(135)</u>
Profit for the period	<u>10,560</u>	<u>13,100</u>	<u>10,560</u>	<u>13,100</u>
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(294)	(1,581)	(294)	(1,581)
Disposal of assets held for sale	<u>(11,547)</u>	<u>-</u>	<u>(11,547)</u>	<u>-</u>
Total comprehensive income for the period	<u>(1,281)</u>	<u>11,519</u>	<u>(1,281)</u>	<u>11,519</u>
Profit attributable to:				
Owners of the Company	11,590	13,014	11,590	13,014
Non-controlling interests	<u>(1,030)</u>	<u>86</u>	<u>(1,030)</u>	<u>86</u>
Profit for the period	<u>10,560</u>	<u>13,100</u>	<u>10,560</u>	<u>13,100</u>

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Condensed consolidated statement of comprehensive income For the period ended 31 October 2011 – unaudited (Cont'd)

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total comprehensive income attributable to:				
Owners of the Company	11,254	11,835	11,254	11,835
Non-controlling interests	<u>(12,535)</u>	<u>(316)</u>	<u>(12,535)</u>	<u>(316)</u>
Total comprehensive income for the period	<u>(1,281)</u>	<u>11,519</u>	<u>(1,281)</u>	<u>11,519</u>
Earnings/(Loss) per ordinary share				
Basic (sen)				
- from continuing operations	5.30	7.31	5.30	7.31
- from discontinued operation	<u>1.09</u>	<u>(0.04)</u>	<u>1.09</u>	<u>(0.04)</u>
	<u>6.39</u>	<u>7.27</u>	<u>6.39</u>	<u>7.27</u>
Diluted (sen)	<u>anti-dilutive</u>	<u>n/a</u>	<u>anti-dilutive</u>	<u>n/a</u>

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

	Share capital RM'000	Non- distributable Reserve RM'000	Distributable Retained profits RM'000	Assets held for sale RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
At 1 August 2011	182,327	72,596	149,986	(15,525)	389,384	13,612	402,996
Share buy back	--	(224)	--	--	(224)	--	(224)
Profit for the period	--	--	9,610	1,980	11,590	(1,030)	10,560
Realisation of revaluation reserve	--	(221)	221	--	--	--	--
Foreign currency translation differences for foreign operations	--	(3,708)	3,372	--	(336)	42	(294)
Disposal of assets held for sale	--	--	(13,545)	13,545	--	(11,547)	(11,547)
Total comprehensive income for the period	--	(3,929)	(342)	15,525	11,254	(12,535)	(1,281)
Dividends to shareholders	--	--	(5,442)	--	(5,442)	--	(5,442)
Equity settled share- based transactions	--	597	--	--	597	24	621
At 31 October 2011	182,327	69,040	144,202	--	395,569	1,101	396,670
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	--	--	13,085	(71)	13,014	86	13,100
Reclassification to assets held for sale	--	2,812	4,594	(7,406)	--	--	--
Realisation of revaluation reserve	--	(215)	215	--	--	--	--
Foreign currency translation differences for foreign operations	--	(713)	--	(466)	(1,179)	(402)	(1,581)
Total comprehensive income for the period	--	1,884	17,894	(7,943)	11,835	(316)	11,519
Increase in share capital in a subsidiary	--	--	--	--	--	449	449
At 31 October 2010	179,702	67,138	147,122	(7,943)	386,019	19,375	405,394

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

	3 months ended 31 October	
	2011 RM'000	2010 RM'000
Cash flows from operating activities		
Profit before tax:		
- Continuing operations	12,930	18,128
- Discontinued operations	1,980	(135)
	<u>14,910</u>	<u>17,993</u>
Adjustments for:		
Depreciation	7,020	6,876
Other non-cash items	(1,745)	91
Non-operating items	3,468	2,465
	<u>23,653</u>	<u>27,425</u>
Operating profit before changes in working capital		
Changes in working capital:		
Net change in current assets	(7,706)	(7,895)
Net change in current liabilities	40,949	2,495
Interest and tax paid	(3,246)	(912)
	<u>53,650</u>	<u>21,113</u>
Net cash from operating activities		
Cash flows from investing activities		
Proceeds from disposal of discontinued operation	11,688	-
Purchase of property, plant and equipment	(11,601)	(3,318)
Other investments	1,011	226
	<u>1,098</u>	<u>(3,092)</u>
Net cash from/(used in) investing activities		
Cash flows from financing activities		
Bank borrowings	(1,955)	(11,399)
Funds from non-controlling interests	-	449
Transactions with shareholders	(5,442)	-
Repurchase of treasury shares	(224)	(403)
	<u>(7,621)</u>	<u>(11,353)</u>
Net cash used in financing activities		
Exchange differences on translation of the financial statements of foreign operations	(3,708)	(1,179)
	<u>43,419</u>	<u>5,489</u>
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	71,287	65,723
Foreign exchange differences on opening balances	29	(1)
	<u>114,735</u>	<u>71,211</u>
Cash and cash equivalents at end of period		
Cash and cash equivalent comprise:		
Cash and bank balances	92,983	54,622
Deposit with licensed banks	21,752	17,433
Bank overdrafts	-	(844)
	<u>114,735</u>	<u>71,211</u>

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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 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 2011 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 December 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 2011.

2. Significant accounting policies

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 2011 except for the adoption of the followings:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
 - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
 - *Additional Exemptions for First-time Adopters*

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2. Significant accounting policies (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011 (continued)

- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

The Group has not applied the following accounting standards, amendments and interpretation that have been issued by the Malaysian Accounting Standard Board (MASB) but are not yet effective for the Group.

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The other standards, amendments, interpretations and improvements are either not applicable or are not expected to have any material impact on the financial statements of the Group.

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:-

Month	No. of shares repurchased	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration (RM)
September 2011	159,600	1.35	1.42	1.40	223,637
Total	159,600				223,637

As at the date of this interim report, a total of 1,044,936 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 fourth interim single tier dividend of 3 sen per ordinary share of RM1.00 each totalling RM5,442,422 in respect of the financial year ended 31 July 2011 on 28 October 2011.

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8. Segment information

(a) Information about reportable segments

	Period Ended 31 October 2011		
	Malaysia RM'000	Indonesia RM'000	Total RM'000
External revenue	242,784	38,610	281,394
Inter-segment revenue	260	--	260
Segment profit/(loss) before tax	12,760	3,749	16,509

	Period Ended 31 October 2010		
	Malaysia RM'000	Indonesia RM'000	Total RM'000
External revenue	216,978	25,881	242,859
Inter-segment revenue	1,216	--	1,216
Segment profit/(loss) before tax	14,612	3,613	18,225

(b) Reconciliation of reportable segment profit or loss

	Period Ended 31 October	
	2011 RM'000	2010 RM'000
Total profit for reportable segments	16,509	18,225
Other non-reportable segments	(1,522)	182
Elimination of inter-segment profits	77	-
Share of profit of associate not included in reportable segments	(2,134)	(279)
Consolidated profit before tax	12,930	18,128

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 except for the disposal of its 53%-owned subsidiary, PT. GY Plantation Indonesia which was completed on 27 October 2011.

11. Contingent liabilities and contingent assets

The Group does not have any contingent liabilities and contingent assets as at 31 October 2011.

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12. Related party transactions

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

	3 months ended	
	31 October	
	2011	2010
	RM'000	RM'000
Associates		
- Sales commission income/sales	4	232
- Purchases	680	--
- Purchase of plant and equipment	3,811	--
- Sale of plant and equipment	--	42
- Interest receivable	12	37
	<u> </u>	<u> </u>
A company in which certain Directors have substantial financial interest		
- Rental payable	58	58
	<u> </u>	<u> </u>
A company which is wholly owned by close family member of certain Directors		
- Purchases	621	204
	<u> </u>	<u> </u>
Companies in which a major shareholder has financial interest		
- Purchases	1,377	1,490
	<u> </u>	<u> </u>
Remuneration paid to staff who are close family member of certain Directors		
	169	129
	<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 RM282.4 million as compared to RM247.4 million in the preceding year's corresponding quarter, whilst profit before tax was RM12.9 million versus RM18.1 million previously. The lower profit before tax was mainly due to increased competition in the electronic manufacturing services sector and higher share of loss from associate in China.

Performance of each segment are as below:

(a) Malaysia segment

Revenue for the current quarter under review increased by RM25.8 million to RM242.8 million as compared to corresponding quarter of RM217.0 million. However, profit before tax decreased by RM1.9 million to RM12.8 million from RM14.6 million due to increased competition in the electronic manufacturing services sector.

(b) Indonesia segment

Revenue for the current quarter under review increased by RM12.7 million to RM38.6 million as compared to corresponding quarter of RM25.9 million. However, profit before tax remained comparable at RM3.7 million mainly due to change in business model mix.

14. Variation of results against preceding quarter

For the current quarter under review, the Group recorded a profit before tax of RM12.9 million as compared to profit before tax of RM6.0 million in the preceding quarter mainly due to higher sales generated by the Malaysian and Indonesian operations coupled with lower share of loss from associate in China.

Comparatives for the quarter ended 31 July 2011 have been re-presented as follows:-

	As restated RM'000	As previously stated RM'000
Continuing operations		
Revenue	261,859	262,627
Profit before tax	5,970	(8,884)
Discontinued operation		
Loss from discontinued operation	(14,702)	-

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15. Current year prospects

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

16. Profit forecast

Not applicable.

17. Tax expense

	3 months ended 31 October		3 months ended 31 October	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Tax expense				
Malaysian - Current period	2,627	4,007	2,627	4,007
Overseas - Current period	997	567	997	567
	3,624	4,574	3,624	4,574
Deferred tax expense				
Malaysian - Current period	673	48	673	48
Overseas - Current period	53	271	53	271
	726	319	726	319
	<u>4,350</u>	<u>4,893</u>	<u>4,350</u>	<u>4,893</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 from associates.

18. Status of uncompleted corporate proposals

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

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19. Borrowing and debt securities

	31.10.2011 RM'000	31.07.2011 RM'000
Non-current		
<i>Secured</i>		
Term loans	381	579
Finance lease liabilities	1,576	1,894
	<u>1,957</u>	<u>2,473</u>
<i>Unsecured</i>		
Term loans	24,307	27,036
	<u>26,264</u>	<u>29,509</u>
Current		
<i>Secured</i>		
Term loans	874	824
Short term loan	4,459	4,275
Finance lease liabilities	1,590	1,823
	<u>6,923</u>	<u>6,922</u>
<i>Unsecured</i>		
Term loans	18,062	18,889
Bank overdraft	-	566
Revolving credit	10,000	10,000
Bankers' acceptance	66,997	59,685
Foreign currency trust receipts	4,565	9,258
	<u>106,547</u>	<u>105,320</u>
	<u>132,811</u>	<u>134,829</u>

Borrowings denominated in US Dollar amounted to RM10.7 million.
(31.7.2011 : RM15.6 million)

20. 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.

21. Profit for the period

	3 months ended 31 October 2011 RM'000	2010 RM'000
Profit for the period is arrived at after charging/(crediting)		
Depreciation of property, plant and equipment	7,020	6,876
Net foreign exchange (gain)/loss	(262)	551
(Gain)/Loss on disposal of property, plant and equipment	(231)	91
Derivative gain	(23)	-

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22. Dividends

- (a) A first interim single tier dividend of 5.0 sen per ordinary share of RM1.00 each amounting to RM9.1 million was declared on 30 December 2011 for the financial year ending 31 July 2012 and will be paid on 31 January 2012 to shareholders whose names appear on the Company's Record of Depositors on 16 January 2012.
- (b) The total dividend per share for the current quarter is 5.0 sen (Quarter ended 31 October 2010: 2.0 sen).

23. Earnings per share

(a) Basic earnings per share

Profit attributable to owners of the Company

3 months ended 31 October 2011			3 months ended 31 October 2010		
Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9,610	1,980	11,590	11,906	(71)	11,835

Weighted average number of ordinary shares

	3 months ended 31 October 2011 '000	3 months ended 31 October 2010 '000
Issued ordinary shares at 1 August	181,574	179,291
Effect of shares repurchased	(147)	(228)
Weighted average number of ordinary shares at 31 October	181,427	179,063
Basic earnings per ordinary share (sen)		
- from continuing operations	5.30	7.31
- from discontinued operation	1.09	(0.04)
	6.39	7.27

(b) Diluted earnings per share

No disclosure is made for the diluted earnings per share for the current quarter and financial year-to-date as it is anti-dilutive.

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24. Disclosure of realised and unrealised profits/losses

	Current Quarter 31.10.2011	Preceding Quarter 31.07.2011
Total retained profits of the Company and its subsidiaries		
- Realised	92,872	101,869
- Unrealised	(18,363)	(20,035)
	<u>74,509</u>	<u>81,834</u>
Total share of retained profit from associates		
- Realised	29,330	31,522
- Unrealised	(2,950)	(2,847)
	<u>100,889</u>	<u>110,509</u>
Consolidation adjustments	43,313	39,477
Total group retained profit as per consolidated accounts	<u><u>144,202</u></u>	<u><u>149,986</u></u>

25. Comparative figures

The comparative consolidated statement of comprehensive income has been represented to show the discontinued operation separately from continuing operations.