

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

Interim Financial Report
31 October 2012

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated statement of financial position As at 31 October 2012 – unaudited

	31.10.2012 RM'000	31.07.2012 RM'000
Assets		
Property, plant and equipment	274,088	274,520
Investment properties	9,300	9,300
Investment in associates	83,027	86,337
Total non-current assets	366,415	370,157
Inventories	98,025	104,577
Trade and other receivables	280,613	317,572
Cash and cash equivalents	55,487	58,680
Total current assets	434,125	480,829
Total assets	800,540	850,986
Equity		
Share capital	182,327	182,327
Reserves	220,147	225,164
Total equity attributable to owners of the Company	402,474	407,491
Non-controlling interests	567	430
Total equity	403,041	407,921
Liabilities		
Long term payables	4,322	4,322
Loans and borrowings	37,553	34,592
Deferred tax liabilities	26,357	27,046
Total non-current liabilities	68,232	65,960
Trade and other payables	241,951	272,544
Loans and borrowings	86,492	103,416
Taxation	824	1,145
Total current liabilities	329,267	377,105
Total liabilities	397,499	443,065
Total equity and liabilities	800,540	850,986
Net assets per share of RM1.00 each	2.22	2.25

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Condensed consolidated statement of comprehensive income for the period ended 31 October 2012 - unaudited

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Continuing operations				
Revenue	327,839	282,438	327,839	282,438
Cost of sales	(293,897)	(246,355)	(293,897)	(246,355)
Gross profit	33,942	36,083	33,942	36,083
Operating expenses	(19,717)	(20,650)	(19,717)	(20,650)
Net other income/(expenses)	445	994	445	994
Results from operating activities	14,670	16,427	14,670	16,427
Finance costs	(1,594)	(1,628)	(1,594)	(1,628)
Interest income	281	265	281	265
Share of profit/(loss) of associates, net of tax	(2,892)	(2,134)	(2,892)	(2,134)
Profit before tax	10,465	12,930	10,465	12,930
Tax expense	(2,678)	(4,350)	(2,678)	(4,350)
Profit from continuing operations	7,787	8,580	7,787	8,580
Discontinued operation				
Profit from discontinued operation, net of tax	-	1,980	-	1,980
Profit for the period	7,787	10,560	7,787	10,560
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(1,963)	(294)	(1,963)	(294)
Total comprehensive income for the period	5,824	10,266	5,824	10,266
Profit attributable to:				
Owners of the Company	7,663	11,590	7,663	11,590
Non-controlling interests	124	(1,030)	124	(1,030)
Profit for the period	7,787	10,560	7,787	10,560

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Condensed consolidated statement of comprehensive income for the period ended 31 October 2012 – unaudited (Cont'd)

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total comprehensive income attributable to:				
Owners of the Company	5,684	11,254	5,684	11,254
Non-controlling interests	<u>140</u>	<u>(988)</u>	<u>140</u>	<u>(988)</u>
Total comprehensive income for the period	<u>5,824</u>	<u>10,266</u>	<u>5,824</u>	<u>10,266</u>
Earnings per ordinary share				
Basic (sen)				
- from continuing operations	4.23	5.30	4.23	5.30
- from discontinued operation	<u>-</u>	<u>1.09</u>	<u>-</u>	<u>1.09</u>
	<u>4.23</u>	<u>6.39</u>	<u>4.23</u>	<u>6.39</u>
Diluted (sen)	<u>anti-dilutive</u>	<u>anti-dilutive</u>	<u>anti-dilutive</u>	<u>anti-dilutive</u>

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Condensed consolidated statement of changes in equity for the period ended 31 October 2012 - 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 2012	182,327	72,949	152,215	--	407,491	430	407,921
Share buy back	--	(16)	--	--	(16)	--	(16)
Profit for the period	--	--	7,663	--	7,663	124	7,787
Realisation of revaluation reserve	--	(222)	222	--	--	--	--
Foreign currency translation differences for foreign operations	--	(1,975)	--	--	(1,975)	12	(1,963)
Total comprehensive income for the period	--	(2,197)	7,885	--	5,688	136	5,824
Dividends to shareholders	--	--	(10,873)	--	(10,873)	--	(10,873)
Equity settled share- based transactions	--	184	--	--	184	1	185
At 31 October 2012	182,327	70,920	149,227	--	402,474	567	403,041
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	--	--	11,590	--	11,590	(1,030)	10,560
Disposal of assets held for sale	--	--	(15,525)	15,525	--	(11,547)	(11,547)
Realisation of revaluation reserve	--	(221)	221	--	--	--	--
Foreign currency translation differences for foreign operations	--	(3,708)	3,372	--	(336)	42	(294)
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

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Condensed consolidated statement of cash flows for the period ended 31 October 2012 - unaudited

	3 months ended 31 October	
	2012 RM'000	2011 RM'000
Cash flows from operating activities		
Profit before tax:		
- Continuing operations	10,465	12,930
- Discontinued operation	--	1,980
	<u>10,465</u>	<u>14,910</u>
Adjustments for:		
Depreciation	7,150	7,020
Other non-cash items	4	(1,745)
Non-operating items	4,021	3,468
	<u>21,640</u>	<u>23,653</u>
Operating profit before changes in working capital		
Changes in working capital:		
Change in inventories	6,552	6,237
Change in trade and other receivables	35,007	(13,943)
Change in trade and other payables	(28,235)	40,949
Interest received	346	253
Tax paid	(3,688)	(3,499)
	<u>31,622</u>	<u>53,650</u>
Net cash from operating activities		
Cash flows from investing activities		
Proceeds from disposal of discontinued operation	--	11,688
Acquisition of property, plant and equipment	(9,001)	(11,601)
Proceeds from disposal of property, plant and equipment	1,261	999
Interest received	--	12
Repayment of loan to associates	1,899	--
	<u>(5,841)</u>	<u>1,098</u>
Net cash (used in)/from investing activities		
Cash flows from financing activities		
Bank borrowings	(15,726)	(1,955)
Dividend paid to owners of the Company	(10,873)	(5,442)
Repurchase of treasury shares	(16)	(224)
	<u>(26,615)</u>	<u>(7,621)</u>
Net cash used in financing activities		
Exchange differences on translation of the financial statements of foreign operations	(1,975)	(3,708)
	<u>(2,809)</u>	<u>43,419</u>
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	56,978	71,287
Foreign exchange differences on opening balances	(672)	29
	<u>53,497</u>	<u>114,735</u>
Cash and cash equivalents at end of period		
Cash and cash equivalent comprise:		
Cash and bank balances	41,150	92,983
Deposit with licensed banks	14,337	21,752
Bank overdrafts	(1,990)	--
	<u>53,497</u>	<u>114,735</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 2012 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 2012 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 December 2012.

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 MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *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 2012.

These are the Group's condensed consolidated interim financial statements for the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The adoption of MFRS 1 has no significant impact on the financial statements.

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 2012.

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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.

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 cost paid (RM)	Total consideration (RM)
September 2012	10,000	1.52	1.52	1.53	15,312
Total	10,000				15,312

As at the date of this interim report, a total of 1,114,336 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 fourth interim single tier dividend of 6 sen per ordinary share of RM1.00 each totalling RM10,872,742 in respect of the financial year ended 31 July 2012 on 25 October 2012.

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8. Segment information

(a) Information about reportable segments

	3 months ended 31 October 2012		
	Malaysia	Indonesia	Total
	RM'000	RM'000	RM'000
External revenue	299,433	25,279	324,712
Inter-segment revenue	354	--	354
Segment profit/(loss) before tax	10,485	2,555	13,040

	3 months ended 31 October 2011		
	Malaysia	Indonesia	Total
	RM'000	RM'000	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

(b) Reconciliation of reportable segment profit or loss

	3 months ended	
	31 October	
	2012	2011
	RM'000	RM'000
Total profit for reportable segments	13,040	16,509
Other non-reportable segments	264	(1,522)
Elimination of inter-segment profits	53	77
Share of profit of associate not included in reportable segments	(2,892)	(2,134)
Consolidated profit before tax	10,465	12,930

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.

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11. Contingent liabilities and contingent assets

The Group does not have any contingent liabilities and contingent assets as at 31 October 2012.

12. Capital Commitments

	31.10.2012 RM'000
Property, plant and equipment Contracted but not provided for	<u>15,436</u>

13. Related party transactions

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

	3 months ended 31 October	
	2012 RM'000	2011 RM'000
Associates		
- Sales commission income/sales	--	4
- Purchases	432	680
- Purchase of plant and equipment	--	3,811
- Interest receivable	--	12
	<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		
- Sales commission income/sales	512	--
- Purchases	409	621
	<u> </u>	<u> </u>
Companies in which a major shareholder has financial interest		
- Purchases	916	1,377
	<u> </u>	<u> </u>
Remuneration paid to staff who are close family member of certain Directors	189	169
	<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

14. Review of performance

For the current quarter under review, the Group recorded a higher revenue of RM327.8 million as compared to RM282.4 million in the preceding year's corresponding quarter, whilst profit before tax was RM10.5 million versus RM12.9 million previously.

The lower profit before tax despite increase in revenue for the current quarter under review was mainly due to lower gross margin caused by increased competition in the electronic manufacturing services sector.

The comparison of the results of the segment are tabulated below:-

	Individual Quarter 31 October	
	2012 RM'000	2011 RM'000
Revenue		
Malaysia	299,433	242,784
Indonesia	25,279	38,610
Profit before tax		
Malaysia	10,485	12,760
Indonesia	2,555	3,749

Malaysia segment

The lower profit before tax despite increase in revenue in the current quarter was mainly due to increased competition in the electronic manufacturing services sector.

Indonesia segment

The decrease in revenue and profit before tax in the current quarter was mainly attributable to lower sales orders from key customers.

15. Variation of results against preceding quarter

For the current quarter under review, the Group recorded a profit before tax of RM10.5 million as compared to profit before tax of RM11.6 million in the preceding quarter despite lower share of losses in associate. This was mainly due to lower sales generated by the Malaysian operation coupled with lower gross margin caused by increased competition in the electronic manufacturing services sector.

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16. Current year prospects

The Board is mindful of the continuing challenges faced by the global economy, thus expects the prospects for the remaining quarters of the current financial year to be challenging. This is coupled with the implementation of the minimum wage for workers which will take effect from 1 January 2013.

17. Profit forecast

Not applicable.

18. Tax expense

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Tax expense				
Malaysian - Current period	2,605	2,627	2,605	2,627
Overseas - Current period	716	997	716	997
	<u>3,321</u>	<u>3,624</u>	<u>3,321</u>	<u>3,624</u>
Deferred tax expense				
Malaysian - Current period	(643)	673	(643)	673
Overseas - Current period	-	53	-	53
	<u>(643)</u>	<u>726</u>	<u>(643)</u>	<u>726</u>
	<u>2,678</u>	<u>4,350</u>	<u>2,678</u>	<u>4,350</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.

19. Status of uncompleted corporate proposals

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

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20. Borrowing and debt securities

	31.10.2012 RM'000	31.07.2012 RM'000
Non-current		
Secured		
Finance lease liabilities	411	667
Unsecured		
Term loans	37,142	33,925
	<u>37,553</u>	<u>34,592</u>
Current		
Secured		
Finance lease liabilities	1,068	1,136
Unsecured		
Term loans	12,404	14,328
Bank overdraft	1,990	1,702
Revolving credit	5,000	5,000
Bankers' acceptance	65,152	80,337
Short term loan	878	913
	<u>86,492</u>	<u>103,416</u>
	<u>124,045</u>	<u>138,008</u>

Borrowings denominated in US Dollar amounted to RM21.9 million.
(31.7.2012 : RM17.3 million)

21. 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.

22. Profit for the period

	3 months ended 31 October	
	2012 RM'000	2011 RM'000
Profit for the period is arrived at after charging/(crediting)		
Depreciation of property, plant and equipment	7,150	7,020
Net foreign exchange (gain)/loss	(970)	(262)
(Gain)/Loss on disposal of property, plant and equipment	(213)	(231)
Derivative (gain)/loss	969	(23)

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23. Dividends

- (a) A first interim single tier dividend of 2.0 sen per ordinary share of RM1.00 each amounting to RM3.6 million was declared on 27 December 2012 for the financial year ending 31 July 2013 and will be paid on 31 January 2013 to shareholders whose names appear on the Company's Record of Depositors on 16 January 2013.
- (b) The total dividend per share for the current quarter is 2.0 sen (Quarter ended 31 October 2011: 5.0 sen).

24. Earnings per share

(a) Basic earnings per share

Profit attributable to owners of the Company

	3 months ended 31 October 2012			3 months ended 31 October 2011		
	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000
Profit for the period	7,663	-	7,663	9,610	1,980	11,590

Weighted average number of ordinary shares

	3 months ended	
	31 October 2012 '000	31 October 2011 '000
Issued ordinary shares after deducting treasury shares at 1 August	181,223	181,574
Effect of shares repurchased	(7)	(147)
Weighted average number of ordinary shares as at 31 October	181,216	181,427
Basic earnings per ordinary share (sen)		
- from continuing operations	4.23	5.30
- from discontinued operation	-	1.09
	4.23	6.39

(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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25. Disclosure of realised and unrealised profits/losses

	Current Quarter 31.10.2012	Preceding Quarter 31.07.2012
Total retained profits of the Company and its subsidiaries		
- Realised	118,729	119,263
- Unrealised	(17,792)	(18,152)
	<hr/> 100,937	<hr/> 101,111
Total share of retained profit from associates		
- Realised	17,110	17,247
- Unrealised	(4,166)	(1,510)
	<hr/> 113,881	<hr/> 116,848
Consolidation adjustments	35,346	35,367
Total group retained profit as per consolidated accounts	<hr/> <hr/> 149,227	<hr/> <hr/> 152,215