

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Interim Financial Report
31 January 2013

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated statement of financial position As at 31 January 2013 – unaudited

	31.01.2013 RM'000	31.07.2012 RM'000
Assets		
Property, plant and equipment	275,572	274,520
Investment properties	9,300	9,300
Investment in associates	81,430	86,337
Total non-current assets	366,302	370,157
Inventories	94,394	104,577
Trade and other receivables	210,483	317,572
Tax recoverable	1,046	-
Cash and cash equivalents	39,714	58,680
Total current assets	345,637	480,829
Total assets	711,939	850,986
Equity		
Share capital	182,327	182,327
Reserves	221,921	225,164
Total equity attributable to owners of the Company	404,248	407,491
Non-controlling interests	378	430
Total equity	404,626	407,921
Liabilities		
Long term payables	4,322	4,322
Loans and borrowings	35,506	34,592
Deferred tax liabilities	26,205	27,046
Total non-current liabilities	66,033	65,960
Trade and other payables	175,721	272,544
Loans and borrowings	65,559	103,416
Taxation	-	1,145
Total current liabilities	241,280	377,105
Total liabilities	307,313	443,065
Total equity and liabilities	711,939	850,986
Net assets per share of RM1.00 each	2.23	2.25

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated statement of comprehensive income for the period ended 31 January 2013 - unaudited

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Continuing operations				
Revenue	233,943	265,769	561,782	548,207
Cost of sales	(214,317)	(233,044)	(508,214)	(479,399)
Gross profit	19,626	32,725	53,568	68,808
Operating expenses	(16,680)	(20,489)	(36,397)	(41,139)
Net other income/(expenses)	(4,726)	(1,711)	(4,281)	(717)
Results from operating activities	(1,780)	10,525	12,890	26,952
Finance costs	(1,124)	(1,587)	(2,718)	(3,215)
Interest income	226	272	507	537
Share of profit/(loss) of associates, net of tax	2,972	(183)	80	(2,317)
Profit before tax	294	9,027	10,759	21,957
Tax expense	(697)	(2,507)	(3,375)	(6,857)
Profit/(Loss) from continuing operations	(403)	6,520	7,384	15,100
Discontinued operation				
Profit from discontinued operation, net of tax	-	-	-	1,980
Profit/(Loss) for the period	(403)	6,520	7,384	17,080
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	5,104	(652)	3,141	(946)
Total comprehensive income for the period	4,701	5,868	10,525	16,134
Profit/(Loss) attributable to:				
Owners of the Company	40	6,642	7,703	18,232
Non-controlling interests	(443)	(122)	(319)	(1,152)
Profit/(Loss) for the period	(403)	6,520	7,384	17,080

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated statement of comprehensive income for the period ended 31 January 2013 – unaudited (Cont'd)

	Individual 3 months ended 31 January		Cumulative 3 months ended 31 January	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total comprehensive income attributable to:				
Owners of the Company	5,152	5,984	10,836	17,238
Non-controlling interests	<u>(451)</u>	<u>(116)</u>	<u>(311)</u>	<u>(1,104)</u>
Total comprehensive income for the period	<u>4,701</u>	<u>5,868</u>	<u>10,525</u>	<u>16,134</u>
Earnings per ordinary share				
Basic (sen)				
- from continuing operations	0.02	3.66	4.25	8.96
- from discontinued operation	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.09</u>
	<u>0.02</u>	<u>3.66</u>	<u>4.25</u>	<u>10.05</u>
Diluted (sen)	<u>anti-dilutive</u>	<u>anti-dilutive</u>	<u>anti-dilutive</u>	<u>anti-dilutive</u>

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated statement of changes in equity for the period ended 31 January 2013 - 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
<i>At 1 August 2012</i>	182,327	72,949	152,215	--	407,491	430	407,921
Share buy back	--	(16)	--	--	(16)	--	(16)
Profit for the period	--	--	7,703	--	7,703	(319)	7,384
Realisation of revaluation reserve	--	(437)	437	--	--	--	--
Foreign currency translation differences for foreign operations	--	3,133	--	--	3,133	8	3,141
Total comprehensive income for the period	--	2,696	8,140	--	10,836	(311)	10,525
Dividends to shareholders	--	--	(14,497)	--	(14,497)	--	(14,497)
Increase in share capital in a subsidiary	--	--	--	--	--	246	246
Equity settled share- based transactions	--	422	--	--	422	13	435
Share option lapsed in an associate	--	(12)	12	--	--	--	--
<i>At 31 January 2013</i>	182,327	76,039	145,870	--	404,236	378	404,614

	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
<i>At 1 August 2011</i>	182,327	72,596	149,986	(15,525)	389,384	13,612	402,996
Share buy back	--	(419)	--	--	(419)	--	(419)
Profit for the period	--	--	16,252	1,980	18,232	(1,152)	17,080
Realisation of revaluation reserve	--	(444)	444	--	--	--	--
Foreign currency translation differences for foreign operations	--	(4,366)	3,372	--	(994)	48	(946)
Disposal of assets held for sale	--	--	(13,545)	13,545	--	(11,547)	(11,547)
Total comprehensive income for the period	--	(4,810)	6,523	15,525	17,238	(12,651)	4,587
Dividends to shareholders	--	--	(14,507)	--	(14,507)	--	(14,507)
Equity settled share- based transactions	--	1,079	--	--	1,079	40	1,119
<i>At 31 January 2012</i>	182,327	68,446	142,002	--	392,775	1,001	393,776

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated statement of cash flows for the period ended 31 January 2013 - unaudited

	6 months ended 31 January	
	2013	2012
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax:		
- Continuing operations	10,759	21,957
- Discontinued operation	--	1,980
	<u>10,759</u>	<u>23,937</u>
Adjustments for:		
Depreciation	14,537	14,110
Other non-cash items	3	(1,360)
Non-operating items	7,782	5,244
	<u>33,081</u>	<u>41,931</u>
Operating profit before changes in working capital		
Changes in working capital:		
Change in inventories	10,183	(14,845)
Change in trade and other receivables	107,036	(14,449)
Change in trade and other payables	(100,439)	8,588
Interest received	507	509
Tax paid	(6,407)	(8,300)
	<u>43,961</u>	<u>13,434</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	(14,106)	(17,996)
Proceeds from disposal of property, plant and equipment	1,549	1,784
Interest received	--	25
	<u>(12,557)</u>	<u>(4,499)</u>
Net cash (used in)/from investing activities		
Cash flows from financing activities		
Bank borrowings	(39,250)	(2,581)
Dividend paid to owners of the Company	(14,497)	(14,507)
Funds from non-controlling interests	246	-
Repurchase of treasury shares	(16)	(419)
	<u>(53,517)</u>	<u>(17,507)</u>
Net cash used in financing activities		
Exchange differences on translation of the financial statements of foreign operations	3,133	(4,366)
	<u>(18,980)</u>	<u>(12,938)</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	198	(54)
	<u>38,196</u>	<u>58,295</u>
Cash and cash equivalents at end of period		
Cash and cash equivalent comprise:		
Cash and bank balances	28,445	41,874
Deposit with licensed banks	11,269	18,322
Bank overdrafts	(1,518)	(1,901)
	<u>38,196</u>	<u>58,295</u>

V.S. Industry Berhad

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

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 2013 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 26 March 2013.

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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

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.

As at the date of this interim report, a total of 1,119,336 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 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; and
- (b) a first interim single tier dividend of 2 sen per ordinary share of RM1.00 each totalling RM3,624,247 in respect of the financial year ending 31 July 2013 on 31 January 2013.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

8. Segment information

(a) Information about reportable segments

	6 months ended 31 January 2013		
	Malaysia	Indonesia	Total
	RM'000	RM'000	RM'000
External revenue	504,980	53,335	558,315
Inter-segment revenue	354	--	354
Segment profit/(loss) before tax	13,337	3,768	17,105

	6 months ended 31 January 2012		
	Malaysia	Indonesia	Total
	RM'000	RM'000	RM'000
External revenue	475,014	65,852	540,866
Inter-segment revenue	1,287	--	1,287
Segment profit/(loss) before tax	17,852	8,105	25,957

(b) Reconciliation of reportable segment profit or loss

	6 months ended	
	31 January	
	2013	2012
	RM'000	RM'000
Total profit for reportable segments	17,105	25,957
Other non-reportable segments	(601)	(1,760)
Elimination of inter-segment profits	53	77
Loss on dilution of interest in an associate	(5,878)	-
Share of profit of associate not included in reportable segments	80	(2,317)
Consolidated profit before tax	10,759	21,957

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 material changes in the composition of the Group for the current quarter and financial year-to-date except for the dilution of interest in an associate in China, from 43.06% to 38.18% pursuant to its 9.69% private placement exercise and employees' share option scheme .

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

11. Contingent liabilities and contingent assets

The Group does not have any contingent liabilities and contingent assets as at 31 January 2013.

12. Capital Commitments

	31.01.2013 RM'000
Property, plant and equipment Contracted but not provided for	<u>13,848</u>

13. Related party transactions

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

	6 months ended 31 January	
	2013 RM'000	2012 RM'000
Associates		
- Sales commission income/sales	--	55
- Purchases	793	660
- Purchase of plant and equipment	--	3,811
- Interest receivable	--	25
	<u> </u>	<u> </u>
A company in which certain Directors have substantial financial interest		
- Rental payable	116	116
	<u> </u>	<u> </u>
A company which is wholly owned by close family member of certain Directors		
- Sales commission income/sales	852	--
- Purchases	1,154	1,085
	<u> </u>	<u> </u>
Companies in which a major shareholder has financial interest		
- Purchases	2,185	2,404
	<u> </u>	<u> </u>
Remuneration paid to staff who are close family member of certain Directors	462	413
	<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

14. Review of performance

For the current quarter under review, the Group recorded a lower revenue of RM233.9 million as compared to RM265.8 million in the preceding year's corresponding quarter, whilst profit before tax was RM0.3 million versus RM9.0 million previously.

The lower profit before tax 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 and loss of RM5.9 million arising from dilution of interest from 43.06% to 38.18% in associate in China due to its 9.69% private placement exercise and employees' share option scheme.

For the six months period ended 31 January 2013, the Group recorded a revenue of RM561.8 million as compared to RM548.2 million of the corresponding period of the preceding year, whilst profit before tax was RM10.8 million versus RM22.0 million previously.

The lower profit before tax despite increase in revenue for the financial period was mainly due to lower gross margin caused by increased competition in the electronic manufacturing services sector coupled with loss of RM5.9 million arising from dilution of interest from 43.06% to 38.18% in associate in China due to its 9.69% private placement exercise and employees' share option scheme.

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

	Individual Quarter		Cumulative Quarter	
	31 January		31 January	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Revenue				
Malaysia	205,547	232,230	504,980	475,014
Indonesia	28,056	27,242	53,335	65,852
Profit before tax				
Malaysia	2,852	5,092	13,337	17,852
Indonesia	1,213	4,356	3,768	8,105

Malaysia segment

The lower profit before tax in the current quarter was mainly due to lower sales orders from key customers and lower gross margin caused by increased competition in the electronic manufacturing services sector.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

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

Indonesia segment

The lower profit before tax in the current quarter was mainly due to change in business model mix.

The lower profit before tax in the cumulative 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 lower profit before tax of RM0.3 million as compared to profit before tax of RM10.5 million in the preceding quarter. 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 and loss arising from dilution of interest in associate in China amounting to RM5.9 million.

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 effective from 1 January 2013.

17. Profit forecast

Not applicable.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

18. Tax expense

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Tax expense				
Malaysian - Current period	545	925	3,150	3,552
Overseas - Current period	364	1,159	1,080	2,156
	<u>909</u>	<u>2,084</u>	<u>4,230</u>	<u>5,708</u>
Deferred tax expense				
Malaysian - Current period	(212)	363	(855)	1,036
Overseas - Current period	-	60	-	113
	<u>(212)</u>	<u>423</u>	<u>(855)</u>	<u>1,149</u>
	<u><u>697</u></u>	<u><u>2,507</u></u>	<u><u>3,375</u></u>	<u><u>6,857</u></u>

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

19. Status of uncompleted corporate proposals

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

20. Borrowing and debt securities

	31.01.2013 RM'000	31.07.2012 RM'000
Non-current		
Secured		
Finance lease liabilities	326	667
Unsecured		
Term loans	<u>35,180</u>	<u>33,925</u>
	35,506	34,592
Current		
Secured		
Finance lease liabilities	863	1,136
Unsecured		
Term loans	11,994	14,328
Bank overdraft	1,518	1,702
Revolving credit	-	5,000
Bankers' acceptance	50,256	80,337
Short term loan	<u>928</u>	<u>913</u>
	<u>65,559</u>	<u>103,416</u>
	<u><u>101,065</u></u>	<u><u>138,008</u></u>

Borrowings denominated in US Dollar amounted to RM4.3 million.
(31.7.2012 : RM17.3 million)

V.S. Industry Berhad

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

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		6 months ended	
	31 January		31 January	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting)				
Depreciation of property, plant and equipment	7,387	7,090	14,537	14,110
Net foreign exchange (gain)/loss	(499)	1,639	(1,469)	1,377
(Gain)/Loss on disposal of property, plant and equipment	(237)	(77)	(450)	(308)
Derivative (gain)/loss	(119)	399	850	376
Loss on dilution of interest in an associate	5,878	-	5,878	-

23. Dividends

- (a) No dividend is proposed for the current quarter.
- (b) The total dividend per share for the current financial year is 2.0 sen (previous year corresponding period : 7.0 sen).

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

24. Earnings per share

(a) Basic earnings per share

Profit attributable to owners of the Company

	3 months ended 31 January 2013			6 months ended 31 January 2013		
	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	40	-	40	7,703	-	7,703

	3 months ended 31 January 2012			6 months ended 31 January 2012		
	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	6,642	-	6,642	16,252	1,980	18,232

Weighted average number of ordinary shares

	3 months ended		6 months ended	
	31 January 2013 '000	31 January 2012 '000	31 January 2013 '000	31 January 2012 '000
Issued ordinary shares at 1 August	181,223	181,574	181,223	181,574
Effect of shares repurchased	(10)	(248)	(8)	(177)
Weighted average number of ordinary shares at 31 January	181,213	181,326	181,215	181,397
Basic earnings per ordinary share (sen)				
- from continuing operations	0.02	3.66	4.25	8.96
- from discontinued operation	-	-	-	1.09
	0.02	3.66	4.25	10.05

(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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

25. Disclosure of realised and unrealised profits/losses

	Current Quarter 31.01.2013	Preceding Quarter 31.10.2012
Total retained profits of the Company and its subsidiaries		
- Realised	117,410	118,729
- Unrealised	<u>(17,471)</u>	<u>(17,792)</u>
	99,939	100,937
Total share of retained profit from associates		
- Realised	18,046	17,110
- Unrealised	<u>(2,026)</u>	<u>(4,166)</u>
	115,959	113,881
Consolidation adjustments	<u>29,911</u>	<u>35,346</u>
Total group retained profit as per consolidated accounts	<u><u>145,870</u></u>	<u><u>149,227</u></u>