

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

Interim Financial Report
31 October 2007

V.S. Industry Berhad

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

Condensed consolidated balance sheet at 31 October 2007 - unaudited

| | 31.10.2007 RM'000 | 31.07.2007 RM'000 |
|---|----------------------|----------------------|
| Assets | | |
| Property, plant and equipment | 267,530 | 254,093 |
| Biological assets | 16,433 | 15,778 |
| Prepaid lease payments | 10,955 | 11,068 |
| Investment properties | 8,400 | 8,400 |
| Investment in associates | 114,937 | 115,272 |
| Loan to an associate | 7,814 | 9,014 |
| Deferred tax assets | 3 | 2 |
| Total non-current assets | 426,072 | 413,627 |
| Inventories | 94,580 | 86,285 |
| Trade and other receivables | 202,614 | 185,243 |
| Cash and cash equivalents | 62,097 | 57,468 |
| Total current assets | 359,291 | 328,996 |
| Total assets | 785,363 | 742,623 |
| Equity | | |
| Share capital | 143,762 | 143,762 |
| Reserves | 174,595 | 155,906 |
| Treasury shares, at cost | (5,401) | (1,979) |
| Total equity attributable to shareholders of the Company | 312,956 | 297,689 |
| Minority interests | 16,881 | 17,228 |
| Total equity | 329,837 | 314,917 |
| Liabilities | | |
| Long term payables | 25,107 | 27,713 |
| Loans and borrowings | 55,061 | 57,621 |
| Deferred tax liabilities | 20,730 | 19,653 |
| Total non-current liabilities | 100,898 | 104,987 |
| Trade and other payables | 224,911 | 196,890 |
| Loans and borrowings | 121,714 | 119,110 |
| Taxation | 8,003 | 6,719 |
| Total current liabilities | 354,628 | 322,719 |
| Total liabilities | 455,526 | 427,706 |
| Total equity and liabilities | 785,363 | 742,623 |
| Net assets per share of RM1.00 each | 2.20 | 2.08 |

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 July 2007 and the accompanying explanatory notes attached to the interim financial statements.

V.S. Industry Berhad

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

Condensed consolidated income statement for the period ended 31 October 2007 - unaudited

| | Individual 3 months ended 31 October | | Cumulative 3 months ended 31 October | |
|--|--|------------------|--|------------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Revenue | 290,026 | 243,695 | 290,026 | 243,695 |
| Cost of sales | <u>(242,058)</u> | <u>(205,682)</u> | <u>(242,058)</u> | <u>(205,682)</u> |
| Gross profit | 47,968 | 38,013 | 47,968 | 38,013 |
| Operating expenses | <u>(20,610)</u> | <u>(18,790)</u> | <u>(20,610)</u> | <u>(18,790)</u> |
| Operating profit | 27,358 | 19,223 | 27,358 | 19,223 |
| Finance costs | (2,549) | (1,991) | (2,549) | (1,991) |
| Interest income | 197 | 205 | 197 | 205 |
| Share of profit after tax and minority interest of associates | <u>1,895</u> | <u>3,216</u> | <u>1,895</u> | <u>3,216</u> |
| Profit before tax | 26,901 | 20,653 | 26,901 | 20,653 |
| Tax expense | <u>(5,699)</u> | <u>(4,442)</u> | <u>(5,699)</u> | <u>(4,442)</u> |
| Net profit for the period | <u>21,202</u> | <u>16,211</u> | <u>21,202</u> | <u>16,211</u> |
| Attributable to: | | | | |
| Shareholders of the Company | 21,087 | 16,116 | 21,087 | 16,116 |
| Minority interests | <u>115</u> | <u>95</u> | <u>115</u> | <u>95</u> |
| Net profit for the period | <u>21,202</u> | <u>16,211</u> | <u>21,202</u> | <u>16,211</u> |
| Earnings per share | | | | |
| Basic earnings per ordinary share (sen) | <u>14.84</u> | <u>11.69</u> | <u>14.84</u> | <u>11.69</u> |

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 July 2007 and the accompanying explanatory notes attached to the interim financial statements.

V.S. Industry Berhad

(Company No. 88160-P)
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Condensed consolidated statement of changes in equity for the period ended 31 October 2007 - unaudited

| | Share capital RM'000 | Non- distributable Reserves RM'000 | Distributable Retained profits RM'000 | Total RM'000 | Minority interest RM'000 | Total equity RM'000 |
|--|----------------------------|---|--|-----------------|--------------------------------|---------------------------|
| At 1 August 2007 | 143,762 | 31,885 | 122,042 | 297,689 | 17,228 | 314,917 |
| Share buy back | -- | (3,422) | -- | (3,422) | -- | (3,422) |
| Net gain and losses not recognised in the income statement | | | | | | |
| Exchange difference on translation of financial statements of foreign subsidiaries | -- | (2,398) | -- | (2,398) | (462) | (2,860) |
| Net profit for the period | -- | -- | 21,087 | 21,087 | 115 | 21,202 |
| At 31 October 2007 | 143,762 | 26,065 | 143,129 | 312,956 | 16,881 | 329,837 |
| At 1 August 2006 | 143,762 | 39,654 | 72,426 | 255,842 | 10,645 | 266,487 |
| Net gain and losses not recognised in the income statement | | | | | | |
| Exchange difference on translation of financial statements of foreign subsidiaries | -- | 1,344 | -- | 1,344 | (289) | 1,055 |
| Net profit for the period | -- | -- | 16,116 | 16,116 | 95 | 16,211 |
| Increase in share capital in a subsidiary | -- | -- | -- | -- | 3,597 | 3,597 |
| Equity settled share-based transactions in an associate | -- | 259 | -- | 259 | -- | 259 |
| Dilution arising from new issue of shares in an associate | -- | (478) | (619) | (1,097) | -- | (1,097) |
| At 31 October 2006 | 143,762 | 40,779 | 87,923 | 272,464 | 14,048 | 286,512 |

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 July 2007 and the accompanying explanatory notes attached to the interim financial statements.

V.S. Industry Berhad

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Condensed consolidated cash flow statement for the period ended 31 October 2007 - unaudited

| | 3 months ended 31 October | |
|---|------------------------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Cash flows from operating activities | | |
| Profit before tax | 26,901 | 20,653 |
| Adjustments for non-cash flow: | | |
| Non-cash items | 7,285 | 5,914 |
| Non-operating items | 329 | (1,484) |
| Operating profit before working capital changes | 34,515 | 25,083 |
| Changes in working capital: | | |
| Net change in current assets | (25,721) | (51,147) |
| Net change in current liabilities | 21,092 | 35,900 |
| Interest and tax paid | (4,523) | (1,435) |
| Net cash generated from operating activities | <u>25,363</u> | <u>8,401</u> |
| Cash flows from investing activities | <u>(13,743)</u> | <u>(8,262)</u> |
| Cash flows from financing activities | | |
| Bank borrowings | (646) | 5,182 |
| Transactions with shareholders | (3,419) | 3,597 |
| Net cash used in financing activities | <u>(4,065)</u> | <u>8,779</u> |
| Exchange differences on translation of the financial statements of foreign operation | <u>(2,398)</u> | <u>1,344</u> |
| Net change in cash and cash equivalents | 5,157 | 10,262 |
| Cash and cash equivalents at beginning of period | 56,783 | 41,184 |
| Foreign exchange differences on opening balances | (55) | (21) |
| Cash and cash equivalents at end of period | <u>61,885</u> | <u>51,425</u> |
| Cash and cash equivalent comprise: | | |
| Cash and bank balances | 62,097 | 53,319 |
| Bank overdrafts | (212) | (1,894) |
| | <u>61,885</u> | <u>51,425</u> |

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 July 2007 and the accompanying explanatory notes attached to the interim financial statements.

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A. Notes to the interim financial report

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134₂₀₀₄, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (MASB).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2008 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with FRS 134₂₀₀₄, *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with FRSs.

The financial information relating to the financial year ended 31 July 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 July 2007 are available from the Company's registered office.

2. Changes in accounting policies

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs, which term collectively includes the MASB's Issues Committee's Interpretations) that are effective for accounting periods beginning on or after 1 January 2006.

The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 July 2008 on the basis of FRSs currently in effect.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 August 2007 which have been reflected in this interim financial report.

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Summary of the effect of changes in accounting policies

(a) Leasehold land (FRS 117, Leases)

In prior years, the leasehold interest in land held for own use classified as property, plant and equipment, were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

With the adoption of FRS 117, the leasehold interest in the land held for own use is accounted for as being held under an operating lease. Such leasehold land will no longer be revalued. Where the leasehold land had been previously revalued, the Group retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments as allowed by FRS 117.67A. Such prepaid lease payments are amortised on a straight line basis over the remaining lease term of the land.

The leasehold interest in land held for own use were revalued in August 2003 based on independent professional valuations on an open market basis.

3. Audit qualification

The audit report of the Group and of the Company for the preceding annual financial statements was not subject to any audit qualification.

4. Seasonal or cyclical factors

The Group's operations are not significantly affected by any seasonal or cyclical factors.

5. 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.

6. Material changes in estimates

There are no material changes in estimates for the current quarter and financial year-to-date.

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7. 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) |
|----------------|---------------------------|------------------------|-------------------------|-------------------------|--------------------------|
| August 2007 | 766,600 | 2.85 | 3.70 | 3.41 | 2,611,463 |
| September 2007 | 85,700 | 3.56 | 3.60 | 3.58 | 307,155 |
| October 2007 | 124,900 | 4.00 | 4.06 | 4.03 | 503,765 |
| December 2007 | 14,900 | 3.88 | 3.90 | 3.91 | 58,260 |
| | 992,100 | | | | 3,480,643 |

As at the date of this interim report, a total of 1,787,837 of the repurchased shares are being held as treasury shares and carried at cost.

8. Dividends paid

There is no dividend paid for the current period under review.

9. Segment information

There is no segment information presented as the Group is primarily engaged in the manufacture, assembly and sale of electronic and electrical products and plastic moulded components and parts and operates principally in Malaysia.

10. Property, plant and equipment

The valuation of land and buildings have been brought forward, without amendment from the previous annual report.

11. 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.

12. 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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13. Contingent liabilities and contingent assets

There are no contingent liabilities and contingent assets since the last annual balance sheet date.

14. Capital Commitments

| | 31.10.2007 RM'000 |
|--------------------------------------|------------------------------------|
| Property, plant and equipment | |
| Contracted but not provided for | <u>3,732</u> |

15. Related party transactions

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

| | 3 months ended 31 October | |
|---|--|---------------|
| | 2007 | 2006 |
| | RM'000 | RM'000 |
| Associates | | |
| - Sales | -- | 20 |
| - Purchases | 3,037 | 20 |
| - Sale of property, plant and equipment | 103 | -- |
| - Interest receivable | <u>123</u> | <u>160</u> |
| A company in which Mr. Beh Kim Ling and Mr. Gan Sem Yam have substantial financial interest | | |
| - Rental payable | <u>58</u> | <u>--</u> |
| A company which is wholly owned by close family member of Mr. Gan Sem Yam, Mr. Gan Tiong Sia and Mdm. Gan Chu Cheng | | |
| - Purchases | <u>2,764</u> | <u>--</u> |
| Companies in which a major shareholder, Inabata & Co., Ltd has financial interest | | |
| - Purchases | <u>1,383</u> | <u>N/A*</u> |
| Remuneration paid to staff who are close family member of certain Directors, Mr. Beh Kim Ling, Mr. Gan Sem Yam, Mr. Gan Tiong Sia and Mdm. Gan Chu Cheng | <u>234</u> | <u>219</u> |

* These parties were not related in prior year.

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

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B. Additional information on interim financial report required by the Bursa Malaysia Listing Requirements

1. Review of performance

For the current quarter under review, the Group recorded turnover of RM290.0 million, approximately 19% higher than the corresponding period of the preceding year of RM243.7 million, whilst the profit before tax grew 30% to RM26.9 million from RM20.7 million in the preceding year's corresponding quarter.

The improvement in results was mainly attributable to higher sales volume achieved in the current quarter from various customers.

2. Variation of results against preceding quarter

For the current quarter under review, the profit before tax of RM26.9 million was comparable to that of the preceding quarter.

3. Current year prospects

The Board is optimistic of achieving satisfactory performance for the current financial year.

4. Profit forecast

Not applicable.

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5. Tax expense

| | 3 months ended | |
|----------------------------|----------------|--------------|
| | 31 October | |
| | 2007 | 2006 |
| | RM'000 | RM'000 |
| Tax expense | | |
| Malaysian - current period | 4,619 | 3,945 |
| Deferred tax expense | | |
| Malaysian - current period | 1,080 | 497 |
| | <u>5,699</u> | <u>4,442</u> |

The effective tax rate for the current quarter is lower than the statutory tax rate due to the utilisation of reinvestment allowance.

The effective tax rate in prior period was lower than the statutory tax rate due to utilisation of reinvestment allowance.

6. Unquoted investments and properties

There is no sale of unquoted investments and/or properties for the current quarter and financial year-to-date.

7. Quoted investments

There is no purchase or disposal of quoted securities for the current quarter and financial year-to-date.

8. Status of uncompleted corporate proposals

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

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9. Borrowing and debt securities

| | 31.10.2007 RM'000 | 31.07.2007 RM'000 |
|---------------------------|----------------------|----------------------|
| Non-current | | |
| <i>Secured</i> | | |
| Term loans | 2,991 | 2,189 |
| Finance lease liabilities | 2,598 | 2,636 |
| | <u>5,589</u> | <u>4,825</u> |
| <i>Unsecured</i> | | |
| Term loans | 49,472 | 52,796 |
| | <u>55,061</u> | <u>57,621</u> |
| Current | | |
| <i>Secured</i> | | |
| Term loans | 432 | 36 |
| Bank overdrafts | -- | 479 |
| Finance lease liabilities | 798 | 1,030 |
| | <u>1,230</u> | <u>1,545</u> |
| <i>Unsecured</i> | | |
| Term loans | 15,790 | 15,261 |
| Bank overdrafts | 212 | 206 |
| Revolving credit | 10,000 | 10,000 |
| Bankers' acceptance | 94,482 | 92,098 |
| | <u>121,714</u> | <u>119,110</u> |
| | <u>176,775</u> | <u>176,731</u> |

10. Off balance sheet financial instruments

There are no financial instruments with off balance sheet risk as at the date of this quarterly report.

11. 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.

12. Dividends

There is no dividend proposed for the current quarter (Quarter ended 31 October 2006: NIL).

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13. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share for the current quarter and financial year-to-date is based on net profit attributable to shareholders of RM21.1 million and the weighted average number of ordinary shares of 142,101,000.

(b) *Diluted earnings per share*

Not applicable.

14. Comparative figures

Certain comparative figures have been restated to conform with current year's presentation.