

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

Interim Financial Report
31 January 2008

V.S. Industry Berhad

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

Condensed consolidated balance sheet at 31 January 2008 - unaudited

	31.01.2008 RM'000	31.07.2007 RM'000
Assets		
Property, plant and equipment	267,503	254,093
Biological assets	17,769	15,778
Prepaid lease payments	10,814	11,068
Investment properties	8,400	8,400
Investment in associates	115,470	115,272
Loan to an associate	7,291	9,014
Deferred tax assets	2	2
Total non-current assets	427,249	413,627
Inventories	79,423	86,285
Trade and other receivables	208,541	185,243
Cash and cash equivalents	64,448	57,468
Total current assets	352,412	328,996
Total assets	779,661	742,623
Equity		
Share capital	143,762	143,762
Reserves	177,577	155,906
Treasury shares, at cost	(5,729)	(1,979)
Total equity attributable to shareholders of the Company	315,610	297,689
Minority interests	17,144	17,228
Total equity	332,754	314,917
Liabilities		
Long term payables	4,893	27,713
Loans and borrowings	58,504	57,621
Deferred tax liabilities	21,287	19,653
Total non-current liabilities	84,684	104,987
Trade and other payables	205,475	196,890
Loans and borrowings	144,654	119,110
Taxation	12,094	6,719
Total current liabilities	362,223	322,719
Total liabilities	446,907	427,706
Total equity and liabilities	779,661	742,623
Net assets per share of RM1.00 each	2.22	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 January 2008 - unaudited

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue	332,658	264,766	622,684	508,461
Cost of sales	<u>(282,113)</u>	<u>(227,922)</u>	<u>(524,171)</u>	<u>(433,604)</u>
Gross profit	50,545	36,844	98,513	74,857
Operating expenses	<u>(20,145)</u>	<u>(16,578)</u>	<u>(40,755)</u>	<u>(35,368)</u>
Operating profit	30,400	20,266	57,758	39,489
Finance costs	(2,293)	(2,050)	(4,842)	(4,041)
Interest income	239	248	436	453
Share of profit after tax and minority interest of associates	<u>397</u>	<u>2,398</u>	<u>2,292</u>	<u>5,614</u>
Profit before tax	28,743	20,862	55,644	41,515
Tax expense	<u>(7,373)</u>	<u>(4,486)</u>	<u>(13,072)</u>	<u>(8,928)</u>
Net profit for the period	<u>21,370</u>	<u>16,376</u>	<u>42,572</u>	<u>32,587</u>
Attributable to:				
Shareholders of the Company	21,207	16,595	42,294	32,711
Minority interests	<u>163</u>	<u>(219)</u>	<u>278</u>	<u>(124)</u>
Net profit for the period	<u>21,370</u>	<u>16,376</u>	<u>42,572</u>	<u>32,587</u>
Earnings per share				
Basic earnings per ordinary share (sen)	<u>14.94</u>	<u>12.08</u>	<u>29.78</u>	<u>23.77</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)

(Incorporated in Malaysia)

Condensed consolidated statement of changes in equity for the period ended 31 January 2008 - 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	--	(3,750)	--	(3,750)	--	(3,750)
Net gain and losses not recognised in the income statement						
Exchange difference on translation of financial statements of foreign subsidiaries	--	(3,912)	--	(3,912)	(1,190)	(5,102)
Net profit for the period	--	--	42,294	42,294	278	42,572
Dividend – 2007 Final	--	--	(17,747)	(17,747)	--	(17,747)
Increase in share capital in a subsidiary	--	--	--	--	828	828
Equity settled share-based transactions in an associate	--	1,036	--	1,036	--	1,036
At 31 January 2008	143,762	25,259	146,589	315,610	17,144	332,754
At 1 August 2006	143,762	39,654	72,426	255,842	10,645	266,487
Share buy back	--	(1,827)	--	(1,827)	--	(1,827)
Net gain and losses not recognised in the income statement						
Exchange difference on translation of financial statements of foreign subsidiaries	--	(3,744)	--	(3,744)	(797)	(4,541)
Net profit for the period	--	--	32,711	32,711	(124)	32,587
Dividend – 2006 Final	--	--	(6,857)	(6,857)	--	(6,857)
Increase in share capital in a subsidiary	--	--	--	--	3,601	3,601
Equity settled share-based transactions in an associate	--	252	--	252	--	252
Dilution arising from new issue of shares in an associate	--	(607)	(471)	(1,078)	--	(1,078)
At 31 January 2007	143,762	33,728	97,809	275,299	13,325	288,624

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

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated cash flow statement for the period ended 31 January 2008 - unaudited

	6 months ended 31 January	
	2008 RM'000	2007 RM'000
Cash flows from operating activities		
Profit before tax	55,644	41,515
Adjustments for non-cash flow:		
Non-cash items	14,162	11,991
Non-operating items	1,948	(2,020)
Operating profit before working capital changes	71,754	51,486
Changes in working capital:		
Net change in current assets	(16,491)	(83,427)
Net change in current liabilities	(7,842)	44,667
Interest and tax paid	(8,207)	(2,913)
Net cash generated from operating activities	<u>39,214</u>	<u>9,813</u>
Cash flows from investing activities	<u>(30,724)</u>	<u>(18,349)</u>
Cash flows from financing activities		
Bank borrowings	23,909	16,690
Transactions with shareholders	(20,674)	(5,083)
Net cash used in financing activities	<u>3,235</u>	<u>11,607</u>
Exchange differences on translation of the financial statements of foreign operation	<u>(3,912)</u>	<u>(3,744)</u>
Net change in cash and cash equivalents	7,813	(673)
Cash and cash equivalents at beginning of period	56,783	41,184
Foreign exchange differences on opening balances	(148)	(78)
Cash and cash equivalents at end of period	<u>64,448</u>	<u>40,433</u>
Cash and cash equivalent comprise:		
Cash and bank balances	64,448	34,262
Fixed deposits	--	6,572
Bank overdrafts	--	(401)
	<u>64,448</u>	<u>40,433</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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

6. Material changes in estimates

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

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
January 2008	83,000	3.12	3.30	3.24	269,292
	1,075,100			3.49	3,749,935

As at the date of this interim report, a total of 2,563,137 of the repurchased shares are being held as treasury shares and carried at cost.

8. Dividends paid

Since the end of the previous financial year, the Company paid a final dividend of 12.5 sen tax exempt per ordinary share of RM1.00 each totalling RM17,746,769 in respect of the year ended 31 July 2007 on 25 January 2008.

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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated 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.

13. Contingent liabilities and contingent assets

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

14. Capital Commitments

Property, plant and equipment
Contracted but not provided for

31.01.2008
RM'000

2,214

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

15. Related party transactions

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

	6 months ended	
	31 January	
	2008	2007
	RM'000	RM'000
Associates		
- Sales	--	1,366
- Purchases	5,693	20
- Sale of property, plant and equipment	103	--
- Interest receivable	246	320
	<hr/>	<hr/>
A company in which Mr. Beh Kim Ling and Mr. Gan Sem Yam have substantial financial interest		
- Rental payable	116	--
	<hr/>	<hr/>
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	6,270	--
	<hr/>	<hr/>
Companies in which a major shareholder, Inabata & Co., Ltd has financial interest		
- Purchases	2,448	1,167
	<hr/>	<hr/>
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		
	716	670
	<hr/>	<hr/>

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)

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 RM332.7 million, approximately 26% higher than RM264.8 million of the corresponding period of the preceding year, whilst profit before tax grew 38% to RM28.7 million from RM20.9 million in the preceding year's corresponding quarter.

For the half year period ended 31 January 2008, the Group's turnover and profit before tax grew by 22% and 34% respectively to RM622.7 million and RM55.6 million, as compared to turnover of RM508.5 million and profit before tax of RM41.5 million previously.

The improvement in results was mainly attributable to higher sales volume achieved from a few key customers.

2. Variation of results against preceding quarter

For the current quarter under review, the profit before tax increased to RM28.7 million from RM26.9 million in the preceding quarter, on the back of increased turnover of RM332.7 million as compared to preceding quarter's turnover of RM290.0 million.

3. Current year prospects

The Board expects that prospects for the rest of the current financial year will be challenging, in view of the less-than-optimistic developments in major economies, as the current downturn in the US and Europe could possibly affect our performance in the short term.

4. Profit forecast

Not applicable.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

5. Tax expense

	3 months ended 31 January		6 months ended 31 January	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Tax expense				
- Current period	6,811	3,797	11,430	7,742
- Prior years	-	346	-	346
	6,811	4,143	11,430	8,088
Deferred tax expense				
- Current period	562	345	1,642	842
- Prior years	-	(2)	-	(2)
	562	343	1,642	840
	<u>7,373</u>	<u>4,486</u>	<u>13,072</u>	<u>8,928</u>

The effective tax rate for the financial year-to-date 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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

9. Borrowing and debt securities

	31.01.2008 RM'000	31.07.2007 RM'000
Non-current		
<i>Secured</i>		
Term loans	2,849	2,189
Finance lease liabilities	2,722	2,636
	<u>5,571</u>	<u>4,825</u>
<i>Unsecured</i>		
Term loans	52,933	52,796
	<u>58,504</u>	<u>57,621</u>
Current		
<i>Secured</i>		
Term loans	424	36
Bank overdrafts	--	479
Finance lease liabilities	1,189	1,030
	<u>1,613</u>	<u>1,545</u>
<i>Unsecured</i>		
Term loans	17,480	15,261
Bank overdrafts	--	206
Revolving credit	16,207	10,000
Bankers' acceptance	109,354	92,098
	<u>144,654</u>	<u>119,110</u>
	<u>203,158</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.

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

12. Dividends

- (a) A tax exempt interim dividend of 3 sen per ordinary share of RM1.00 each amounting to RM4.2 million was declared on 27 March 2008 for the financial year ending 31 July 2008. The details of the book closure date and payment date will be announced at a later date.
- (b) The total dividend per share for the current financial year is 3 sen tax exempt (previous year corresponding period : 5.5 sen tax exempt).

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 are based on net profit attributable to shareholders of RM21.2 million and RM42.3 million respectively and the weighted average number of ordinary shares of 141,951,000 and 142,026,000 respectively.

(b) *Diluted earnings per share*

Not applicable.

14. Comparative figures

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