

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

Interim Financial Report
30 April 2008

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated balance sheet at 30 April 2008 – unaudited

	30.04.2008 RM'000	31.07.2007 RM'000
Assets		
Property, plant and equipment	263,636	254,093
Biological assets	20,279	15,778
Prepaid lease payments	10,716	11,068
Investment properties	8,400	8,400
Investment in associates	116,049	115,272
Loan to an associate	6,102	9,014
Deferred tax assets	2	2
Total non-current assets	425,184	413,627
Inventories	74,263	86,285
Trade and other receivables	184,103	185,243
Cash and cash equivalents	49,550	57,468
Total current assets	307,916	328,996
Total assets	733,100	742,623
Equity		
Share capital	143,762	143,762
Reserves	184,681	155,906
Treasury shares, at cost	(8,661)	(1,979)
Total equity attributable to shareholders of the Company	319,782	297,689
Minority interests	16,402	17,228
Total equity	336,184	314,917
Liabilities		
Long term payables	4,322	27,713
Loans and borrowings	57,959	57,621
Deferred tax liabilities	21,154	19,653
Total non-current liabilities	83,435	104,987
Trade and other payables	172,103	196,890
Loans and borrowings	135,780	119,110
Taxation	5,598	6,719
Total current liabilities	313,481	322,719
Total liabilities	396,916	427,706
Total equity and liabilities	733,100	742,623
Net assets per share of RM1.00 each	2.27	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

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Condensed consolidated income statement for the period ended 30 April 2008 - unaudited

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue	201,229	289,128	823,913	797,589
Cost of sales	<u>(173,619)</u>	<u>(246,312)</u>	<u>(697,790)</u>	<u>(679,916)</u>
Gross profit	27,610	42,816	126,123	117,673
Operating expenses	<u>(15,125)</u>	<u>(20,180)</u>	<u>(55,880)</u>	<u>(55,548)</u>
Operating profit	12,485	22,636	70,243	62,125
Finance costs	(2,256)	(1,993)	(7,098)	(6,034)
Interest income	207	241	643	694
Share of profit after tax and minority interest of associates	<u>427</u>	<u>41</u>	<u>2,719</u>	<u>5,655</u>
Profit before tax	10,863	20,925	66,507	62,440
Tax expense	<u>(1,461)</u>	<u>(3,638)</u>	<u>(14,533)</u>	<u>(12,566)</u>
Net profit for the period	<u>9,402</u>	<u>17,287</u>	<u>51,974</u>	<u>49,874</u>
Attributable to:				
Shareholders of the Company	9,780	17,703	52,074	50,414
Minority interests	<u>(378)</u>	<u>(416)</u>	<u>(100)</u>	<u>(540)</u>
Net profit for the period	<u>9,402</u>	<u>17,287</u>	<u>51,974</u>	<u>49,874</u>
Earnings per share				
Basic earnings per ordinary share (sen)	<u>6.93</u>	<u>12.95</u>	<u>36.74</u>	<u>36.71</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.

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Condensed consolidated statement of changes in equity for the period ended 30 April 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	--	(6,682)	--	(6,682)	--	(6,682)
Net gain and losses not recognised in the income statement						
Exchange difference on translation of financial statements of foreign subsidiaries	--	(2,360)	--	(2,360)	(1,554)	(3,914)
Net profit for the period	--	--	52,074	52,074	(100)	51,974
Dividend						
- 2007 Final	--	--	(17,747)	(17,747)	--	(17,747)
- 2007 Interim	--	--	(4,228)	(4,228)	--	(4,228)
			(21,975)	(21,975)	--	(21,975)
Increase in share capital in a subsidiary	--	--	--	--	828	828
Equity settled share-based transactions in an associate	--	1,036	--	1,036	--	1,036
At 30 April 2008	143,762	23,879	152,141	319,782	16,402	336,184
At 1 August 2006	143,762	39,654	72,426	255,842	10,645	266,487
Share buy back	--	(2,484)	--	(2,484)	--	(2,484)
Net gain and losses not recognised in the income statement						
Exchange difference on translation of financial statements of foreign subsidiaries	--	(6,805)	--	(6,805)	(1,375)	(8,180)
Net profit for the period	--	--	50,414	50,414	(540)	49,874
Dividend						
- 2006 Final	--	--	(6,857)	(6,857)	--	(6,857)
- 2007 Interim	--	--	(4,098)	(4,098)	--	(4,098)
- 2007 Special	--	--	(3,415)	(3,415)	--	(3,415)
	--	--	(14,370)	(14,370)	--	(14,370)
Increase in share capital in a subsidiary	--	--	--	--	5,318	5,318
Equity settled share-based transactions in an associate	--	102	--	102	--	102
Dilution arising from new issue of shares in an associate	--	(738)	(565)	(1,303)	--	(1,303)
At 30 April 2007	143,762	29,729	107,905	281,396	14,048	295,444

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.

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Condensed consolidated cash flow statement for the period ended 30 April 2008 - unaudited

	9 months ended 30 April	
	2008 RM'000	2007 RM'000
Cash flows from operating activities		
Profit before tax	66,507	62,440
Adjustments for non-cash flow:		
Non-cash items	21,434	18,112
Non-operating items	3,477	(388)
Operating profit before working capital changes	91,418	80,164
Changes in working capital:		
Net change in current assets	13,107	(89,197)
Net change in current liabilities	(32,100)	58,254
Interest and tax paid	(17,126)	(8,816)
Net cash generated from operating activities	<u>55,299</u>	<u>40,405</u>
Cash flows from investing activities	<u>(45,432)</u>	<u>(24,255)</u>
Cash flows from financing activities		
Bank borrowings	11,478	18,519
Transactions with shareholders	(27,823)	(11,536)
Net cash used in financing activities	<u>(16,345)</u>	<u>6,983</u>
Exchange differences on translation of the financial statements of foreign operation	<u>(2,360)</u>	<u>(6,805)</u>
Net change in cash and cash equivalents	<u>(8,838)</u>	<u>16,328</u>
Cash and cash equivalents at beginning of period	56,783	41,184
Foreign exchange differences on opening balances	<u>(186)</u>	<u>(132)</u>
Cash and cash equivalents at end of period	<u><u>47,759</u></u>	<u><u>57,380</u></u>
Cash and cash equivalent comprise:		
Cash and bank balances	49,550	57,896
Bank overdrafts	(1,791)	(516)
	<u>47,759</u>	<u>57,380</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) 134, *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 134, *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. 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 the followings:-

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(a) Share repurchase

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
February 2008	517,700	3.08	3.38	3.21	1,662,950
March 2008	296,700	2.72	3.08	2.95	874,231
April 2008	134,400	2.91	2.94	2.94	395,033
	2,023,900			3.30	6,682,149

A total of 2,818,101 treasury shares have been distributed as share dividend to the shareholders on the basis of one (1) treasury share for every existing fifty (50) ordinary shares of RM1.00 each held on 20 May 2008. As at the date of this interim report, a total of 1,536 of the repurchased shares are being held as treasury shares and carried at cost.

(b) Increase in paid-up share capital

As at the date of this interim report, the issued and paid up share capital was increased via a bonus issue of 35,940,114 new ordinary shares of RM1.00 each on the basis of one (1) new ordinary share for every four (4) existing ordinary shares of RM1.00 held on 16 June 2008.

7. Dividends paid

Since the end of the previous financial year, the Company paid:-

- (i) 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.
- (ii) an interim dividend of 3 sen tax exempt per ordinary share of RM1.00 each totalling RM4,228,271 in respect of the year ending 31 July 2008 on 30 April 2008.

8. 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.

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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.

11. Contingent liabilities and contingent assets

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

12. Capital Commitments

	30.04.2008 RM'000
Property, plant and equipment	
Contracted but not provided for	<u>2,296</u>

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13. Related party transactions

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

	9 months ended 30 April	
	2008 RM'000	2007 RM'000
Associates		
- Sales	--	1,386
- Purchases	8,426	1,517
- Sale of property, plant and equipment	103	32
- Interest receivable	346	455
	<hr/>	<hr/>
A company in which Mr. Beh Kim Ling and Mr. Gan Sem Yam have substantial financial interest		
- Rental payable	174	--
	<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	7,857	--
	<hr/>	<hr/>
Companies in which a major shareholder, Inabata & Co., Ltd has financial interest		
- Purchases	2,996	3,236
- Purchase of property, plant and equipment	--	182
	<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		
	958	891
	<hr/>	<hr/>

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 a turnover of RM201.2 million, compared to RM289.1 million of the corresponding period of the preceding year, whilst profit before tax declined 48% to RM10.9 million from RM20.9 million in the preceding year's corresponding quarter. This was mainly due to lower sales volume to key customers in the third quarter..

For the nine months period ended 30 April 2008, the Group's profit before tax grew to RM66.5 million from RM62.4 million previously, in tandem with turnover growth to RM823.9 million from RM797.6 million previously.

2. Variation of results against preceding quarter

For the current quarter under review, the Group recorded a lower profit before tax of RM10.9 million from RM28.7 million in the preceding quarter, on the back of decreased turnover of RM201.2 million as compared to preceding quarter's turnover of RM332.7 million. The decrease in turnover was mainly due to lower sales volume to key customers in the third quarter.

3. Current year prospects

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

However, barring unforeseen circumstances, the Board is still optimistic of achieving satisfactory performance for the whole of the current financial year.

4. Profit forecast

Not applicable.

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5. Tax expense

	3 months ended 30 April		9 months ended 30 April	
	2007	2008	2008	2007
	RM'000	RM'000	RM'000	RM'000
Tax expense				
- Current period	1,602	1,551	13,032	9,293
- Prior years	-	--	-	346
	1,602	1,551	13,032	9,639
Deferred tax expense				
- Current period	(141)	2,087	1,501	2,929
- Prior years	-	--	-	(2)
	(141)	2,087	1,501	2,927
	1,461	3,638	14,533	12,566

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.

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9. Borrowing and debt securities

	30.04.2008 RM'000	31.07.2007 RM'000
Non-current		
<i>Secured</i>		
Term loans	563	2,189
Finance lease liabilities	2,698	2,636
	<u>3,261</u>	<u>4,825</u>
<i>Unsecured</i>		
Term loans	54,698	52,796
	<u>57,959</u>	<u>57,621</u>
Current		
<i>Secured</i>		
Term loans	385	36
Bank overdrafts	--	479
Finance lease liabilities	1,241	1,030
	<u>1,626</u>	<u>1,545</u>
<i>Unsecured</i>		
Term loans	17,608	15,261
Bank overdrafts	1,791	206
Revolving credit	20,559	10,000
Bankers' acceptance	94,196	92,098
	<u>135,780</u>	<u>119,110</u>
	<u>193,739</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.

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12. Dividends

- (a) A special tax exempt dividend of 3 sen per ordinary share of RM1.00 each amounting to RM5.4 million was declared on 26 June 2008 for the financial year ending 31 July 2008 and will be paid on 31 July 2008 to shareholders whose names appear on the Company's Record of Depositors on 18 July 2008.
- (b) A tax exempt interim dividend of 3 sen per ordinary share of RM1.00 each amounting to RM4.2 million for the financial year ending 31 July 2008 have been paid on 30 April 2008.
- (c) The total dividend per share for the current financial year is 6 sen tax exempt (previous year corresponding period : 10 sen tax exempt).
- (d) Distribution of treasury shares as share dividend on the basis of one (1) treasury share for every existing fifty (50) ordinary shares of RM1.00 each held on 20 May 2008 have been distributed to the shareholders on 30 May 2008.

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 RM9.8 million and RM52.1 million respectively and the weighted average number of ordinary shares of 141,130,000 and 141,728,000 respectively.

(b) *Diluted earnings per share*

Not applicable.

14. Comparative figures

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