

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

Interim Financial Report
31 July 2008

V.S. Industry Berhad

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

Condensed consolidated balance sheet at 31 July 2008 – unaudited

| | 31.07.2008 RM'000 | 31.07.2007 RM'000 |
|---|----------------------|----------------------|
| Assets | | |
| Property, plant and equipment | 292,907 | 254,093 |
| Biological assets | 24,414 | 15,778 |
| Prepaid lease payments | 11,343 | 11,068 |
| Investment properties | 7,000 | 8,400 |
| Investment in associates | 123,352 | 115,272 |
| Loan to an associate | 6,180 | 9,014 |
| Deferred tax assets | 6 | 2 |
| Total non-current assets | 465,202 | 413,627 |
| Inventories | 69,987 | 86,285 |
| Trade and other receivables | 179,209 | 185,243 |
| Cash and cash equivalents | 62,066 | 57,468 |
| Total current assets | 311,262 | 328,996 |
| Total assets | 776,464 | 742,623 |
| Equity | | |
| Share capital | 179,702 | 143,762 |
| Reserves | 175,418 | 155,906 |
| Treasury shares, at cost | (5) | (1,979) |
| Total equity attributable to shareholders of the Company | 355,115 | 297,689 |
| Minority interests | 17,712 | 17,228 |
| Total equity | 372,827 | 314,917 |
| Liabilities | | |
| Long term payables | 4,322 | 27,713 |
| Loans and borrowings | 52,929 | 57,621 |
| Deferred tax liabilities | 26,085 | 19,653 |
| Total non-current liabilities | 83,336 | 104,987 |
| Trade and other payables | 173,470 | 196,890 |
| Loans and borrowings | 140,987 | 119,110 |
| Taxation | 5,844 | 6,719 |
| Total current liabilities | 320,301 | 322,719 |
| Total liabilities | 403,637 | 427,706 |
| Total equity and liabilities | 776,464 | 742,623 |
| Net assets per share of RM1.00 each | 1.98 | 2.08 |

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Condensed consolidated income statement for the period ended 31 July 2008 - unaudited

| | Individual 3 months ended 31 July | | Cumulative 12 months ended 31 July | |
|--|---|------------------|--|------------------|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Revenue | 211,734 | 277,150 | 1,035,647 | 1,074,739 |
| Cost of sales | <u>(176,423)</u> | <u>(231,978)</u> | <u>(874,213)</u> | <u>(911,894)</u> |
| Gross profit | 35,311 | 45,172 | 161,434 | 162,845 |
| Operating expenses | <u>(19,557)</u> | <u>(18,083)</u> | <u>(75,437)</u> | <u>(73,631)</u> |
| Operating profit | 15,754 | 27,089 | 85,997 | 89,214 |
| Finance costs | (1,945) | (1,816) | (9,043) | (7,850) |
| Interest income | 144 | 187 | 787 | 881 |
| Share of profit after tax and minority interest of associates | <u>(96)</u> | <u>1,255</u> | <u>2,623</u> | <u>6,910</u> |
| Profit before tax | 13,857 | 26,715 | 80,364 | 89,155 |
| Tax expense | <u>(2,069)</u> | <u>(6,189)</u> | <u>(16,602)</u> | <u>(18,755)</u> |
| Net profit for the period | <u>11,788</u> | <u>20,526</u> | <u>63,762</u> | <u>70,400</u> |
| Attributable to: | | | | |
| Shareholders of the Company | 11,348 | 20,475 | 63,422 | 70,889 |
| Minority interests | <u>440</u> | <u>51</u> | <u>340</u> | <u>(489)</u> |
| Net profit for the period | <u>11,788</u> | <u>20,526</u> | <u>63,762</u> | <u>70,400</u> |
| Earnings per share | | | | |
| Basic earnings per ordinary share (sen) | <u>6.31</u> | <u>11.43</u> | <u>35.60</u> | <u>40.57</u> |

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Condensed consolidated statement of changes in equity for the period ended 31 July 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 |
|--|----------------------------|---|--|-----------------|--------------------------------|---------------------------|
| <i>At 1 August 2007</i> | 143,762 | 31,885 | 122,042 | 297,689 | 17,228 | 314,917 |
| Bonus issue | 35,940 | -- | (35,940) | -- | -- | -- |
| Share buy back | -- | (6,682) | -- | (6,682) | -- | (6,682) |
| Exchange difference on translation of financial statements of foreign subsidiaries | -- | 5,801 | -- | 5,801 | (707) | 5,094 |
| Net surplus on revaluation of properties net of deferred tax | -- | 21,064 | -- | 21,064 | 23 | 21,087 |
| <i>Net gain/(loss) recognised directly in equity</i> | -- | 26,865 | -- | 26,865 | (684) | 26,181 |
| Net profit for the period | -- | -- | 63,422 | 63,422 | 340 | 63,762 |
| Total recognised income and expense for the year | -- | 26,865 | 63,422 | 90,287 | (344) | 89,943 |
| Dividends to shareholders | | | | | | |
| - 2007 Final | -- | -- | (17,747) | (17,747) | -- | (17,747) |
| - 2007 Interim | -- | -- | (4,228) | (4,228) | -- | (4,228) |
| - 2007 Special | -- | -- | (5,391) | (5,391) | -- | (5,391) |
| | -- | -- | (27,366) | (27,366) | -- | (27,366) |
| Share dividend | -- | 8,656 | (8,656) | -- | -- | -- |
| Increase in share capital in a subsidiary | -- | -- | -- | -- | 828 | 828 |
| Equity settled share-based transactions in an associate | -- | 1,187 | -- | 1,187 | -- | 1,187 |
| Appropriation | -- | 1,828 | (1,828) | -- | -- | -- |
| <i>At 31 July 2008</i> | 179,702 | 63,739 | 111,674 | 355,115 | 17,712 | 372,827 |

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Condensed consolidated statement of changes in equity for the period ended 31 July 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 2006 | 143,762 | 36,438 | 75,642 | 255,842 | 10,645 | 266,487 |
| Share buy back | -- | (3,968) | -- | (3,968) | -- | (3,968) |
| Net loss recognised directly in equity | | | | | | |
| Exchange difference on translation of financial statements of foreign subsidiaries | -- | (2,318) | -- | (2,318) | (1,643) | (3,961) |
| Net profit for the period | -- | -- | 70,889 | 70,889 | (489) | 70,400 |
| Total recognised income and expense for the year | -- | (2,318) | 70,889 | 68,571 | (2,132) | 66,439 |
| Dividends to shareholders | | | | | | |
| - 2006 Final | -- | -- | (6,857) | (6,857) | -- | (6,857) |
| - 2007 Interim | -- | -- | (4,098) | (4,098) | -- | (4,098) |
| - 2007 Special | -- | -- | (9,854) | (9,854) | -- | (9,854) |
| | -- | -- | (20,809) | (20,809) | -- | (20,809) |
| Share dividend | -- | 1,745 | (1,745) | -- | -- | -- |
| Increase in share capital in a subsidiary | -- | -- | -- | -- | 8,863 | 8,863 |
| Appropriation | -- | 1,157 | (1,157) | -- | -- | -- |
| Dilution arising from new issue of shares in an associate | -- | (1,169) | (926) | (2,095) | -- | (2,095) |
| Accretion of interest in a subsidiary | -- | -- | 148 | 148 | (148) | -- |
| At 31 July 2007 | 143,762 | 31,885 | 122,042 | 297,689 | 17,228 | 314,917 |

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

| | 12 months ended 31 July | |
|---|----------------------------|-----------------|
| | 2008 RM'000 | 2007 RM'000 |
| Cash flows from operating activities | | |
| Profit before tax | 80,364 | 89,155 |
| Adjustments for non-cash flow: | | |
| Non-cash items | 30,298 | 24,538 |
| Non-operating items | 10,353 | 1,807 |
| Operating profit before working capital changes | 121,015 | 115,500 |
| Changes in working capital: | | |
| Net change in current assets | 22,277 | (92,854) |
| Net change in current liabilities | (40,981) | 42,189 |
| Interest and tax paid | (20,803) | (14,494) |
| Net cash generated from operating activities | <u>81,508</u> | <u>50,341</u> |
| Cash flows from investing activities | <u>(60,634)</u> | <u>(42,386)</u> |
| Cash flows from financing activities | | |
| Bank borrowings | 10,955 | 26,008 |
| Transactions with shareholders | (33,220) | (15,914) |
| Net cash used in financing activities | <u>(22,265)</u> | <u>10,094</u> |
| Exchange differences on translation of the financial statements of foreign operation | 5,801 | (2,318) |
| Net change in cash and cash equivalents | 4,410 | 15,731 |
| Cash and cash equivalents at beginning of period | 56,783 | 41,184 |
| Foreign exchange differences on opening balances | (59) | (132) |
| Cash and cash equivalents at end of period | <u>61,134</u> | <u>56,783</u> |
| Cash and cash equivalent comprise: | | |
| Cash and bank balances | 58,285 | 57,448 |
| Deposits with licensed banks | 3,781 | 20 |
| Bank overdrafts | (932) | (685) |
| | <u>61,134</u> | <u>56,783</u> |

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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 30 May 2008. As at the date of this interim report, a total of 28,366 of the repurchased shares are being held as treasury shares and carried at cost.

(b) Increase in paid-up share capital

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 ended 31 July 2008 on 30 April 2008; and
- (iii) a special interim dividend of 3 sen tax exempt per ordinary share of RM1.00 each totalling RM5,391,017 in respect of the year ended 31 July 2008 on 31 July 2008.

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8. Segment information

| | Period ended 31 July 2008 | |
|--------------------------------|---------------------------|--------------------------|
| | Revenue RM'000 | Segment Result RM'000 |
| Malaysia | 981,764 | 82,116 |
| Indonesia | 41,500 | 1,867 |
| Others | 19,892 | 2,014 |
| | <hr/> | <hr/> |
| | 1,043,156 | 85,997 |
| Inter-segment elimination | (7,509) | - |
| | <hr/> | <hr/> |
| | 1,035,647 | 85,997 |
| Finance cost | | (9,043) |
| Interest income | | 787 |
| Share of results of associates | | 2,623 |
| | | <hr/> |
| Profit Before Tax | | 80,364 |

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

| | 31.07.2008 RM'000 |
|--------------------------------------|----------------------|
| Property, plant and equipment | |
| Contracted but not provided for | <hr/> |
| | 352 |

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13. Related party transactions

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

| | 12 months ended 31 July | |
|--|----------------------------|-------------------|
| | 2008 | 2007 |
| | RM'000 | RM'000 |
| Associates | | |
| - Sales | 200 | 1,386 |
| - Purchases | 10,835 | 1,640 |
| - Sale of property, plant and equipment | 82 | 32 |
| - Interest receivable | 450 | 593 |
| | <u> </u> | <u> </u> |
| A company in which certain Directors have substantial financial interest | | |
| - Rental payable | 233 | 78 |
| | <u> </u> | <u> </u> |
| A company which is wholly owned by close family member of certain Directors | | |
| - Purchases | 9,061 | 980 |
| | <u> </u> | <u> </u> |
| Companies in which a major shareholder has financial interest | | |
| - Purchases | 3,793 | 4,719 |
| - Purchase of property, plant and equipment | -- | 182 |
| | <u> </u> | <u> </u> |
| Remuneration paid to staff who are close family member of certain Directors | | |
| | 1,195 | 1,135 |
| | <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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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 RM211.7 million, compared to RM277.2 million of the corresponding period of the preceding year, whilst profit before tax declined to RM13.9 million from RM26.7 million in the preceding year's corresponding quarter. This was mainly due to lower sales volume to key customers in the current quarter under review.

For the financial year ended 31 July 2008, the Group's profit before tax decreased to RM80.4 million from RM89.2 million previously, in tandem with the reduced turnover to RM1,035.6 million from RM1,074.7 million previously.

2. Variation of results against preceding quarter

For the current quarter under review, the Group recorded a higher profit before tax of RM13.9 million from RM10.9 million in the preceding quarter, on the back of increased turnover of RM211.7 million as compared to preceding quarter's turnover of RM201.2 million. The profit before tax of RM13.9 million for the current quarter under review included a deficit on revaluation of investment properties of RM1.4 million.

3. Current year prospects

The Board expects that prospects for the next financial year to 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. The Group would strategize to continuously develop and broaden its customer base in view of the global economic scenario.

4. Profit forecast

Not applicable.

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5. Tax expense

| | 3 months ended 31 July | | 12 months ended 31 July | |
|----------------------------|---------------------------|----------------|----------------------------|----------------|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Tax expense | | | | |
| Malaysian - Current period | 2,782 | 6,882 | 15,814 | 16,175 |
| - Prior years | (719) | (56) | (719) | 290 |
| Overseas - Current period | 1,202 | 18 | 1,202 | 18 |
| | 3,265 | 6,844 | 16,297 | 16,483 |
| Deferred tax expense | | | | |
| Malaysian - Current period | (791)(676 | (1,457) | 710 | 1,472 |
| - Prior years |) | 394 | (676) | 392 |
| Overseas - Current period | 271 | 361 | 271 | 361 |
| - Prior years | - | 47 | - | 47 |
| | (1,196) | (655) | 305 | 2,272 |
| | <u>2,069</u> | <u>6,189</u> | <u>16,602</u> | <u>18,755</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 year 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

| | 31.07.2008 RM'000 | 31.07.2007 RM'000 |
|---------------------------|----------------------|----------------------|
| Non-current | | |
| <i>Secured</i> | | |
| Term loans | 483 | 2,189 |
| Finance lease liabilities | 2,410 | 2,636 |
| | <u>2,893</u> | <u>4,825</u> |
| <i>Unsecured</i> | | |
| Term loans | 50,036 | 52,796 |
| | <u>52,929</u> | <u>57,621</u> |
| Current | | |
| <i>Secured</i> | | |
| Term loans | 410 | 36 |
| Short term loan | 2,329 | - |
| Bank overdrafts | - | 479 |
| Finance lease liabilities | 1,236 | 1,030 |
| | <u>3,975</u> | <u>1,545</u> |
| <i>Unsecured</i> | | |
| Term loans | 18,176 | 15,261 |
| Bank overdrafts | 932 | 206 |
| Revolving credit | 25,524 | 10,000 |
| Bankers' acceptance | 92,380 | 92,098 |
| | <u>140,987</u> | <u>119,110</u> |
| | <u>193,916</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 tax exempt interim dividend of 3 sen per ordinary share of RM1.00 each amounting to RM4.2 million for the financial year ended 31 July 2008 have been paid on 30 April 2008.
- (b) A special tax exempt interim dividend of 3 sen per ordinary share of RM1.00 each amounting to RM5.4 million for the financial year ended 31 July 2008 have been paid on 31 July 2008.
- (c) The Board is proposing for the shareholder's approval at the forthcoming Annual General Meeting, a final dividend of 5 sen tax exempt per ordinary share of RM1.00 each for the financial year ended 31 July 2008. The details of the book closure and payment date will be announced at a later date.
- (d) The total dividend per share for the current financial year is 11 sen tax exempt (previous year corresponding period : 22.5 sen tax exempt).
- (e) Distribution of 2,818,101 treasury shares amounted to RM8.7 million as share dividend on the basis of one (1) treasury share for every existing fifty (50) ordinary shares of RM1.00 each held in the Company 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 RM11.3 million and RM63.4 million respectively and the weighted average number of ordinary shares of 179,700,000 and 178,176,000 respectively.

(b) *Diluted earnings per share*

Not applicable.

14. Comparative figures

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