

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

Interim Financial Report
31 January 2009

V.S. Industry Berhad

(Company No. 88160-P)

(Incorporated in Malaysia)

Condensed consolidated balance sheet at 31 January 2009 - unaudited

	31.01.2009 RM'000	31.07.2008 RM'000
Assets		
Property, plant and equipment	286,989	292,907
Biological assets	26,706	24,414
Prepaid lease payments	10,982	11,343
Investment properties	7,000	7,000
Investment in associates	131,509	123,352
Loan to an associate	5,145	6,180
Deferred tax assets	6	6
Total non-current assets	468,337	465,202
Inventories	76,534	69,987
Trade and other receivables	147,224	179,209
Cash and cash equivalents	51,438	62,066
Total current assets	275,196	311,262
Total assets	743,533	776,464
Equity		
Share capital	179,702	179,702
Reserves	181,555	175,413
Total equity attributable to shareholders of the Company	361,257	355,115
Minority interest	14,696	17,712
Total equity	375,953	372,827
Liabilities		
Long term payables	4,322	4,322
Loans and borrowings	46,758	52,929
Deferred tax liabilities	25,547	26,085
Total non-current liabilities	76,627	83,336
Trade and other payables	156,164	173,470
Loans and borrowings	127,916	140,987
Taxation	6,873	5,844
Total current liabilities	290,953	320,301
Total liabilities	367,580	403,637
Total equity and liabilities	743,533	776,464
Net assets per share of RM1.00 each	2.01	1.98

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Condensed consolidated income statement for the period ended 31 January 2009 - unaudited

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	194,785	332,658	382,352	622,684
Cost of sales	<u>(164,542)</u>	<u>(282,113)</u>	<u>(322,287)</u>	<u>(524,171)</u>
Gross profit	30,243	50,545	60,065	98,513
Operating expenses	<u>(20,813)</u>	<u>(20,145)</u>	<u>(37,843)</u>	<u>(40,755)</u>
Operating profit	9,430	30,400	22,222	57,758
Finance costs	(1,938)	(2,293)	(4,079)	(4,842)
Interest income	196	239	417	436
Share of profit after tax and minority interest of associates	<u>(3,555)</u>	<u>397</u>	<u>(2,854)</u>	<u>2,292</u>
Profit before tax	4,133	28,743	15,706	55,644
Tax expense	<u>(2,887)</u>	<u>(7,373)</u>	<u>(6,110)</u>	<u>(13,072)</u>
Net profit for the period	<u>1,246</u>	<u>21,370</u>	<u>9,596</u>	<u>42,572</u>
Attributable to:				
Shareholders of the Company	2,300	21,207	10,842	42,294
Minority interests	<u>(1,054)</u>	<u>163</u>	<u>(1,246)</u>	<u>278</u>
Net profit for the period	<u>1,246</u>	<u>21,370</u>	<u>9,596</u>	<u>42,572</u>
Earnings per share				
Basic earnings per ordinary share (sen)	<u>1.28</u>	<u>11.92</u>	<u>6.04</u>	<u>23.77</u>

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Condensed consolidated statement of changes in equity for the period ended 31 January 2009 - 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 2008	179,702	63,739	111,674	355,115	17,712	372,827
Share buy back	--	(327)	--	(327)	--	(327)
Net gain/(loss) recognised directly in equity						
Exchange fluctuation on translation of foreign subsidiaries	--	4,601	--	4,601	(1,770)	2,831
Net profit for the period	--	--	10,842	10,842	(1,246)	9,596
Total recognised income and expense for the period	--	4,601	10,842	15,443	(3,016)	12,427
Dividend – 2008 Final	--	--	(8,974)	(8,974)	--	(8,974)
At 31 January 2009	179,702	68,013	113,542	361,257	14,696	375,953
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/(loss) recognised directly in equity						
Exchange fluctuation on translation of foreign subsidiaries	--	(3,912)	--	(3,912)	(1,190)	(5,102)
Net profit for the period	--	--	42,294	42,294	278	42,572
Total recognised income and expense for the period	--	(3,912)	42,294	38,382	(912)	37,470
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

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Condensed consolidated cash flow statement for the period ended 31 January 2009 - unaudited

	6 months ended 31 January	
	2009 RM'000	2008 RM'000
Cash flows from operating activities		
Profit before tax	15,706	55,644
Adjustments for non-cash flow:		
Non-cash items	14,362	14,162
Non-operating items	6,396	1,948
Operating profit before working capital changes	36,464	71,754
Changes in working capital:		
Net change in current assets	25,383	(16,491)
Net change in current liabilities	(13,820)	(7,842)
Interest and tax paid	(7,026)	(8,207)
Net cash generated from operating activities	<u>41,001</u>	<u>39,214</u>
Cash flows from investing activities	<u>(19,449)</u>	<u>(30,724)</u>
Cash flows from financing activities		
Bank borrowings	(26,685)	23,909
Transactions with shareholders	(9,301)	(20,674)
Net cash used in financing activities	<u>(35,986)</u>	<u>3,235</u>
Exchange differences on translation of the financial statements of foreign operations	4,601	(3,912)
Net change in cash and cash equivalents	(9,833)	7,813
Cash and cash equivalents at beginning of period	61,134	56,783
Foreign exchange differences on opening balances	(1,063)	(148)
Cash and cash equivalents at end of period	<u>50,238</u>	<u>64,448</u>
Cash and cash equivalent comprise:		
Cash and bank balances	42,438	64,448
Deposits with licensed banks	9,000	--
Bank overdrafts	(1,200)	--
	<u>50,238</u>	<u>64,448</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 2008 annual financial statements.

The preparation of an interim financial report in conformity with FRS 134, *Interim Financial Reporting* requires management to make judgments, 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 2008 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 2008 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 2008 are available from the Company's registered office.

2. Seasonal or cyclical factors

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

3. 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.

4. Material changes in estimates

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

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5. 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 2008	26,800	1.76	1.80	1.80	48,106
September 2008	40,900	1.58	1.64	1.63	66,556
October 2008	154,500	1.15	1.55	1.32	203,485
November 2008	7,000	1.24	1.25	1.25	8,764
	229,200			1.43	326,911

As at the date of this interim report, a total of 371,236 of the repurchased shares are being held as treasury shares and carried at cost.

6. Dividends paid

A final tax exempt dividend of 5 sen per ordinary share of RM1.00 each totalling RM8,973,569 in respect of the financial year ended 31 July 2008 was paid on 19 January 2009.

7. Segment information

	Period ended 31 January 2009	
	Revenue RM'000	Segment Result RM'000
Malaysia	346,361	22,027
Indonesia	28,053	(530)
Others	10,320	624
	<hr/> 384,734	<hr/> 22,121
Inter-segment elimination	<hr/> (2,382)	<hr/> 101
	<hr/> <hr/> 382,352	<hr/> <hr/> 22,222
Finance cost		(4,079)
Interest income		417
Share of results of associates		<hr/> (2,854)
Profit Before Tax		<hr/> <hr/> <hr/> 15,706

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8. 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.

9. 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.

10. Contingent liabilities and contingent assets

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

11. Related party transactions

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

	6 months ended	
	31 January	
	2009	2008
	RM'000	RM'000
Associates		
- Sales	30	--
- Purchases	3,182	5,693
- Sale of property, plant and equipment	--	103
- Interest receivable	215	246
	<u>215</u>	<u>246</u>
A company in which certain Directors have substantial financial interest		
- Rental payable	116	116
	<u>116</u>	<u>116</u>
A company which is wholly owned by close family member of certain Directors		
- Purchases	1,707	6,270
	<u>1,707</u>	<u>6,270</u>
Companies in which a major shareholder has financial interest		
- Purchases	2,692	2,448
	<u>2,692</u>	<u>2,448</u>
Remuneration paid to staff who are close family member of certain Directors		
	509	716
	<u>509</u>	<u>716</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 RM194.8 million as compared to RM332.7 million in the preceding year's corresponding quarter, whilst profit before tax was RM4.1 million versus RM28.7 million previously.

For the half year period ended 31 January 2009, the Group recorded a turnover of RM382.4 million as compared to RM622.7 million of the corresponding period of the preceding year, whilst profit before tax was RM15.7 million versus RM55.6 million previously.

The decline in performance was mainly attributable to significant drop in sales volume resulted from the current global economic crisis. In addition, there were allowance for doubtful debts, allowance for slow moving inventories and unrealised foreign exchange loss in US Dollar denominated loan totalling RM6.1 million in the current quarter. The Group also suffered share of losses from associates of RM3.6 million in the current quarter.

2. Variation of results against preceding quarter

Despite the marginal increase in revenue, the Group recorded a lower profit before tax of RM4.1 million from RM11.6 million in the preceding quarter mainly due to allowance for doubtful debts, allowance for slow moving inventories and unrealised foreign exchange loss in US Dollar denominated loan totalling RM6.1 million. In addition, there was share of losses from associates of RM3.6 million compared to share of profit of RM0.7 million in the preceding quarter.

3. Current year prospects

The Board expects the prospects for the second half of the current financial year will continue to be challenging in view of the economic downturn.

4. Profit forecast

Not applicable.

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5. Tax expense

	3 months ended 31 January		6 months ended 31 January	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Tax expense				
Malaysian- Current	3,293	6,811	5,821	11,430
Overseas- Current	247	--	782	--
	3,540	6,811	6,603	11,430
Deferred tax expense				
Malaysian- Current	(653)	562	(493)	1,642
	(653)	562	(493)	1,642
	<u>2,887</u>	<u>7,373</u>	<u>6,110</u>	<u>13,072</u>

The effective tax rate for the financial year-to-date is higher than the statutory tax rate due to non-deductible expenses and taxable income which is subject to different tax regime.

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

	31.01.2009 RM'000	31.07.2008 RM'000
Non-current		
<i>Secured</i>		
Term loans	238	483
Finance lease liabilities	5,789	2,410
	<u>6,027</u>	<u>2,893</u>
<i>Unsecured</i>		
Term loans	40,731	50,036
	<u>46,758</u>	<u>52,929</u>
Current		
<i>Secured</i>		
Term loans	380	410
Short term loan	4,292	2,329
Finance lease liabilities	2,431	1,236
	<u>7,103</u>	<u>3,975</u>
<i>Unsecured</i>		
Term loans	18,474	18,176
Bank overdraft	1,200	932
Revolving credit	26,733	25,524
Bankers' acceptance	74,406	92,380
	<u>127,916</u>	<u>140,987</u>
	<u>174,674</u>	<u>193,916</u>

The borrowings which are denominated in foreign currency are as follows:-

	RM'000
US Dollar	23,466
SG Dollar	398
Rupiah	63

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

There is no dividend proposed for the current financial year (Previous year corresponding period: 3 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 RM2.3 million and RM10.8 million respectively and the weighted average number of ordinary shares of 179,471,000 and 179,533,000 respectively.

(b) Diluted earnings per share

Not applicable.