

**V.S. Industry Berhad**  
(Registration No. 198201008437 (88160-P))  
(Incorporated in Malaysia)

**Interim Financial Report**  
**31 October 2023**

# V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

## Condensed consolidated statement of financial position As at 31 October 2023 – unaudited

	31.10.2023 RM'000	31.07.2023 RM'000
<b>Assets</b>		
Property, plant and equipment	1,033,126	987,336
Right-of-use assets	100,889	98,797
Investments properties	32,497	30,238
Investments in associates	7,396	6,530
Investments in a joint venture	--	6,400
Intangible assets	4,158	--
Other investments	127,954	129,898
Deferred tax assets	5,251	5,083
<b>Total non-current assets</b>	1,311,271	1,264,282
Inventories	657,024	703,779
Contract assets	150,662	179,123
Trade and other receivables	1,297,670	1,187,170
Current tax asset	22,360	18,912
Cash and cash equivalents	699,595	689,273
<b>Total current assets</b>	2,827,311	2,778,257
<b>Total assets</b>	4,138,582	4,042,539
<b>Equity</b>		
Share capital	880,408	873,515
Reserves	1,342,597	1,273,675
<b>Equity attributable to owners of the Company</b>	2,223,005	2,147,190
<b>Non-controlling interests</b>	139,528	131,665
<b>Total equity</b>	2,362,533	2,278,855
<b>Liabilities</b>		
Loans and borrowings	587,727	585,157
Deferred tax liabilities	70,623	68,541
<b>Total non-current liabilities</b>	658,350	653,698
Loans and borrowings	311,274	269,794
Lease liabilities	800	1,392
Loan from a Director	22,984	22,121
Trade and other payables	749,409	782,394
Contract liabilities	18,521	18,490
Current tax liabilities	14,711	15,795
<b>Total current liabilities</b>	1,117,699	1,109,986
<b>Total liabilities</b>	1,776,049	1,763,684
<b>Total equity and liabilities</b>	4,138,582	4,042,539
<b>Net assets per share (RM)</b>	0.58	0.56

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## Condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 October 2023 - unaudited

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	1,153,098	1,294,327	1,153,098	1,294,327
Cost of sales	(1,056,796)	(1,160,263)	(1,056,796)	(1,160,263)
<b>Gross profit</b>	96,302	134,064	96,302	134,064
Operating expenses	(38,040)	(45,002)	(38,040)	(45,002)
Net other income/(expenses)	10,101	(1,563)	10,101	(1,563)
<b>Results from operating activities</b>	68,363	87,499	68,363	87,499
Finance costs	(10,853)	(8,203)	(10,853)	(8,203)
Finance income	6,002	1,528	6,002	1,528
Share of profit of associates, net of tax	640	36	640	36
<b>Profit before tax</b>	64,152	80,860	64,152	80,860
Tax expense	(16,362)	(21,572)	(16,362)	(21,572)
<b>Profit for the period</b>	47,790	59,288	47,790	59,288
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations	55,453	37,293	55,453	37,293
Net change in fair value of equity instrument designated at fair value through other comprehensive income	(8,569)	19,713	(8,569)	19,713
<b>Total comprehensive income for the period</b>	94,674	116,294	94,674	116,294
<b>Profit attributable to:</b>				
Owners of the Company	48,984	60,707	48,984	60,707
Non-controlling interests	(1,194)	(1,419)	(1,194)	(1,419)
<b>Profit for the period</b>	47,790	59,288	47,790	59,288

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## Condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 October 2023 – unaudited (Cont'd)

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	91,501	121,164	91,501	121,164
Non-controlling interests	<u>3,173</u>	<u>(4,870)</u>	<u>3,173</u>	<u>(4,870)</u>
<b>Total comprehensive income for the period</b>	<u>94,674</u>	<u>116,294</u>	<u>94,674</u>	<u>116,294</u>
<b>Basic earnings per ordinary share (sen)</b>	<u>1.27</u>	<u>1.58</u>	<u>1.27</u>	<u>1.58</u>
<b>Diluted earnings per ordinary share (sen)</b>	<u>1.26</u>	<u>1.57</u>	<u>1.26</u>	<u>1.57</u>

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## Condensed consolidated statement of changes in equity for the period ended 31 October 2023 - unaudited

	Share capital RM'000	Non- distributable Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
<b>At 1 August 2023</b>	873,515	113,288	1,160,387	2,147,190	131,665	2,278,855
Foreign currency translation differences for foreign operations	--	51,086	--	51,086	4,367	55,453
Net change in fair value of equity instrument designated at FVOCI	--	(8,569)	--	(8,569)	--	(8,569)
Profit for the period	--	--	48,984	48,984	(1,194)	47,790
Total comprehensive income for the period	--	42,517	48,984	91,501	3,173	94,674
Equity settled share-based transactions	6,893	(3,316)	--	3,577	--	3,577
Dividends to shareholders	--	--	(19,263)	(19,263)	--	(19,263)
Acquisition of new subsidiaries	--	--	--	--	4,690	4,690
Total transactions with owners of the Group	6,893	(3,316)	(19,263)	(15,686)	4,690	(10,996)
Realisation of revaluation reserve	--	(20)	20	--	--	--
<b>At 31 October 2023</b>	880,408	152,469	1,190,128	2,223,005	139,528	2,362,533

	Share capital RM'000	Non- distributable Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
<b>At 1 August 2022</b>	855,306	295,208	1,039,798	2,190,312	170,673	2,360,985
Foreign currency translation differences for foreign operations	--	40,744	--	40,744	(3,451)	37,293
Net change in fair value of equity instrument designated at FVOCI	--	19,713	--	19,713	--	19,713
Profit for the period	--	--	60,707	60,707	(1,419)	59,288
Total comprehensive income for the period	--	60,457	60,707	121,164	(4,870)	116,294
Equity settled share-based transactions	5,194	1,548	--	6,742	--	6,742
Dividends to shareholders	--	--	(15,349)	(15,349)	--	(15,349)
Total transactions with owners of the Group	5,194	1,548	(15,349)	(8,607)	--	(8,607)
Realisation of revaluation reserve	--	(1,113)	1,113	--	--	--
<b>At 31 October 2022</b>	860,500	356,100	1,086,269	2,302,869	165,803	2,468,672

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## Condensed consolidated statement of cash flows for the period ended 31 October 2023 – unaudited

	3 months ended 31 October	
	2023	2022
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	64,152	80,860
Adjustments for:		
Depreciation	29,742	31,816
Other non-cash items	1,010	1,185
Non-operating items	3,940	6,682
<b>Operating profit before changes in working capital</b>	<u>98,844</u>	<u>120,543</u>
Changes in working capital:		
Change in inventories	49,671	86,081
Change in contract assets	28,461	(49,933)
Change in trade and other receivables	(102,865)	(287,762)
Change in trade and other payables	(37,362)	57,453
Change in contract liabilities	31	(7,008)
Interest received	6,002	1,180
Tax paid	(18,978)	(8,672)
<b>Net cash (used in)/from operating activities</b>	<u>23,804</u>	<u>(88,118)</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(58,725)	(56,062)
Proceeds from disposal of property, plant and equipment	282	2,618
Changes in pledged deposits	--	(15,460)
Other investments	--	(991)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(1,016)	--
<b>Net cash (used in)/from investing activities</b>	<u>(59,459)</u>	<u>(69,895)</u>
<b>Cash flows from financing activities</b>		
Bank borrowings	32,056	404,268
Dividend paid to owners of the Company	(19,263)	(15,349)
Proceeds from issuance of shares	4,934	3,632
Loan/ (Repayment) from/to a Director	(1,400)	1,066
Payment of lease liabilities	(592)	(574)
<b>Net cash (used in)/from financing activities</b>	<u>15,735</u>	<u>393,043</u>
Exchange differences on translation of the financial statements of foreign operations	<u>11,126</u>	<u>40,744</u>
<b>Net change in cash and cash equivalents</b>	<u>(8,794)</u>	<u>275,774</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>688,973</u>	<u>274,643</u>
Foreign exchange differences on opening balances	<u>19,416</u>	<u>2,973</u>
<b>Cash and cash equivalents at end of period</b>	<u>699,595</u>	<u>553,390</u>
<b>Cash and cash equivalent comprise:</b>		
Cash and cash equivalent in the statements of financial position	699,595	572,814
Less: Pledged deposits	--	(19,424)
	<u>699,595</u>	<u>553,390</u>

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## Notes to the condensed consolidated interim financial statements

V.S. Industry Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements of the Group as at and for the three months period ended 31 October 2023 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in associates.

The consolidated financial statements of the Group as at and for the year ended 31 July 2023 are available upon request from the Company's registered office at:

### Registered office

Suite 9D, Level 9  
Menara Ansar  
65, Jalan Trus  
80000 Johor Bahru  
Johor  
Malaysia

These condensed consolidated interim financial statements were approved by the Board of Directors on 20 December 2023.

## 1. Basis of preparation

### (a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 July 2023.

## 2. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 July 2023.

## 3. Seasonal or cyclical factors

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

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## 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 issuance of 10.3 million ordinary shares pursuant to the exercise of share options under the Company's Employees Share Option Scheme.

## 7. Dividends paid

Since the end of the previous financial year, the Company paid a fourth interim dividend of 0.5 sen per ordinary share totalling RM19,263,237 in respect of the financial year ended 31 July 2023 on 27 October 2023.

## 8. Segment information

(a) Information about reportable segments

	3 months ended 31 October 2023				
	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	802,209	263,617	74,456	12,816	1,153,098
Inter-segment revenue	251,876	--	--	--	251,876
Segment profit/(loss) before tax	65,522	2,296	(1,510)	(2,796)	63,512

  

	3 months ended 31 October 2022				
	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	1,007,705	167,627	105,942	13,053	1,294,327
Inter-segment revenue	162,661	--	--	--	162,661
Segment profit/(loss) before tax	77,726	1,068	4,825	(2,795)	80,824

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## 8. Segment information (Cont'd)

(b) Reconciliation of reportable segment profit or loss

	3 months ended	
	31 October	
	2023	2022
	RM'000	RM'000
Total profit for reportable segments	63,512	80,824
Share of profit of associate not included in reportable segments	640	36
Consolidated profit before tax	<u>64,152</u>	<u>80,860</u>

## 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 major changes in the composition of the Group for the current quarter and financial year-to-date.

## 11. Contingent liabilities and contingent assets

The Group does not have any contingent liabilities and contingent assets as at 31 October 2023 other than the following:-

The Company and the Executive Chairman of the Company had on 8 August 2022 received a Writ and Statement of Claim dated 2 August 2022 filed in the Kuala Lumpur High Court by NEP Holdings (Malaysia) Berhad (“NEP”), Lim Chang Huat (“LCH”) and Lim Chee Kon (“LCK”) (Plaintiffs).

NEP, LCH and LCK allege that certain Clauses of the Shareholders Agreement dated 25 July 2016 entered into by the Company with NEP, LCH and LCK have been breached and further allege that there has been a breach of fiduciary duties on the part of the Executive Chairman of the Company. In their Statement of Claim, NEP, LCH and LCK are seeking general damages, exemplary damages and aggravated damages arising from these alleged breaches.

The financial impact could not be ascertained at this juncture as the damages arising from alleged breaches have not been quantified by the Plaintiffs. No provision is recognised as the Directors are of the opinion that there is a good defence on the litigations and will vigorously oppose to the claim.

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## 12. Capital commitments

	<b>31.10.2023</b>
	<b>RM'000</b>
Property, plant and equipment Contracted but not provided for	<u>13,670</u>

## 13. Related party transactions

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

	<b>3 months ended</b>	
	<b>31 October</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Companies which are wholly owned by close family member of certain Directors</b>		
- Purchases	<u>2,083</u>	<u>334</u>
<b>Company in which spouse of a Director has financial interest</b>		
- Purchases	<u>22,667</u>	<u>7,925</u>
<b>Company wholly owned by a Director</b>		
- Rental receivable	<u>38</u>	<u>38</u>
<b>Firm in which spouse of a Director is a Partner</b>		
- Professional fees	<u>28</u>	<u>--</u>
<b>Company controlled by a Director</b>		
- Operating lease charges and management fee payable	<u>121</u>	<u>238</u>
<b>Company controlled by close family member of a key management personnel</b>		
- Repair and maintenance services payable	<u>39</u>	<u>29</u>
<b>Company wholly owned by close family member of a Director</b>		
- Sales	<u>--</u>	<u>50</u>
<b>Company in which spouse of a Director has financial interest</b>		
- Technical fee payable	<u>36</u>	<u>90</u>
<b>Remuneration paid to staff who are close family member of certain Directors</b>	<u>345</u>	<u>340</u>

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

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## Additional Information on Interim Financial Report required on the Bursa Malaysia Listing Requirements

### 14. Review of performance

For the current quarter under review, the Group recorded a revenue of RM1,153.1 million, a decrease of 10.9% or RM141.2 million as compared to the previous year corresponding quarter. Profit before tax was lower at RM64.2 million, a decline of RM16.7 million over the same period.

The reduced earnings for the current quarter was due to lower orders from key customers, which in turn affected the overall utilisation rate of production capacity.

The comparison of the results of the segment are tabulated below:-

	Individual Quarter	
	31 October	
	2023	2022
	RM'000	RM'000
<b>Revenue</b>		
Malaysia	802,209	1,007,705
Singapore	263,617	167,627
Indonesia	74,456	105,942
China	12,816	13,053
<b>Profit/(Loss) before tax</b>		
Malaysia	65,522	77,726
Singapore	2,296	1,068
Indonesia	(1,510)	4,825
China	(2,796)	(2,795)

#### Malaysia segment

Malaysia segment posted a 20.4% decrease in revenue due to lower sales orders from key customers. Meanwhile, profit before tax, dropped by RM12.2 million over the same period. It was attributable to lower overall utilisation rate of production capacity as mentioned above.

#### Singapore segment

Singapore segment, which acts as the marketing arm for Malaysia operations, recorded a profit before tax for the current quarter in line with higher sales orders from a key customer.

#### Indonesia segment

Indonesia segment recorded loss of RM1.5 million for the quarter under review mainly due to decline in sales orders from a key customer.

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## 14. Review of performance (Cont'd)

### China segment

The China operations remained loss-making given the highly challenging environment in the country. In the absence of large orders, the low revenue base was insufficient to cover fixed cost.

## 15. Variation of results against preceding quarter

	<b>Current Quarter 31 October 2023 RM'000</b>	<b>Preceding Quarter 31 July 2023 RM'000</b>
Revenue	1,153,098	1,161,669
Profit before tax	64,152	94,144
Profit attributable to owners of the Company	48,984	60,957

For the current quarter under review, the Group recorded a lower profit before tax mainly attributable to lower overall utilisation rate of production capacity as mentioned above.

## 16. Current year prospects

While global interest rate hikes have slowed down, we expect the business environment to remain challenging. The economic landscape continues to exert pressure on operational costs following increases in labour, utilities, and financing expenses. In this regard, management continues to adopt prudence in ensuring a lean and efficient operating structure to mitigate the impact of heightened costs on profitability. Furthermore, our operations are supported by our lean balance sheet with low net gearing and healthy cashflow which would strengthen our agility to navigate any unforeseen issues.

With regards to external demand, consumer spending shows signs of cooling due to the sustained environment of high interest rates and this may potentially affect demand for our key customers' products. On a positive note, the planned launching of several new models by certain customers of ours should serve to sustain market interest in the current financial year.

On balance, the Board opines that the financial performance of the Group for the remaining quarters to be satisfactory.

## 17. Profit forecast

Not applicable.

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## 18. Tax expense

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Tax expense				
Current period	17,914	22,318	17,914	22,318
Deferred tax expense				
Current period	<u>(1,552)</u>	<u>(746)</u>	<u>(1,552)</u>	<u>(746)</u>
	<u>16,362</u>	<u>21,572</u>	<u>16,362</u>	<u>21,572</u>

The effective tax rate of the Group for the financial year-to-date was higher than the statutory tax rate mainly due to losses of certain subsidiaries that cannot be offset against taxable profits made by other entities within the Group, in addition to certain non-deductible expenses for tax purposes.

## 19. Status of uncompleted corporate proposals

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

## 20. Borrowing and debt securities

	31.10.2023 RM'000	31.07.2023 RM'000
<b>Non-current</b>		
<b><i>Secured</i></b>		
Hire purchase liabilities	152	195
<b><i>Unsecured</i></b>		
Term loans	87,575	84,962
Sukuk	<u>500,000</u>	<u>500,000</u>
	<u>587,727</u>	<u>585,157</u>
<b>Current</b>		
<b><i>Secured</i></b>		
Hire purchase liabilities	213	299

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## 20. Borrowing and debt securities (Cont'd)

	31.10.2023 RM'000	31.07.2023 RM'000
<b>Current</b>		
<b>Unsecured</b>		
Term loans	36,477	36,362
Bankers' acceptance	105,485	137,355
Trust receipts/Onshore loans	155,940	88,458
Short term loan	13,159	7,020
Bank overdraft	--	300
	<u>311,274</u>	<u>269,794</u>
	<u>899,001</u>	<u>854,951</u>

Borrowings denominated in US Dollar amounted to RM207.4 million.  
(31.7.2023: RM147.9 million).

## 21. Changes in material litigation

There are no changes in material litigation which would materially and adversely affect the financial position of the Group as at the date of this quarterly report.

## 22. Profit for the period

	3 months ended 31 October	
	2023 RM'000	2022 RM'000
<b>Profit for the period is arrived at after charging/(crediting)</b>		
Depreciation	29,742	31,816
Net foreign exchange (gain)/loss	(8,932)	5,531
Loss/(Gain) on disposal of property, plant and equipment	(1)	(1,929)

## 23. Dividends

- A first interim dividend of 0.3 sen per ordinary share was declared on 20 December 2023 for the financial year ending 31 July 2024 and will be paid on 8 March 2024 to shareholders whose names appear on the Company's Record of Depositors on 23 February 2024.
- The total dividend per share for the current financial year is 0.3 sen (previous year corresponding period: 0.5 sen).

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## **24. Earnings per share**

### **(a) *Basic earnings per share***

The calculation of basic earnings per share for the current quarter is based on net profit attributable to owners of the Company of RM49.0 million and the weighted average number of ordinary shares of 3,846.894 million.

### **(b) *Diluted earnings per share***

The calculation of diluted earnings per share for the current quarter is based on net profit attributable to owners of the Company of RM49.0 million and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 3,872.057 million.