

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

**Interim Financial Report**  
**30 April 2022**

# V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

## Condensed consolidated statement of financial position As at 30 April 2022 – unaudited

	30.04.2022 RM'000	31.07.2021 RM'000
<b>Assets</b>		
Property, plant and equipment	1,112,266	989,519
Right-of-use assets	103,675	103,406
Investments properties	23,114	23,114
Investments in associates	37,961	39,254
Other investments	175,689	205,020
Deferred tax assets	6,525	5,614
<b>Total non-current assets</b>	<b>1,459,230</b>	<b>1,365,927</b>
Inventories	798,435	636,542
Contract assets	147,397	194,962
Trade and other receivables	1,040,952	992,132
Current tax asset	18,602	6,417
Cash and cash equivalents	275,335	402,404
<b>Total current assets</b>	<b>2,280,721</b>	<b>2,232,457</b>
<b>Total assets</b>	<b>3,739,951</b>	<b>3,598,384</b>
<b>Equity</b>		
Share capital	848,098	842,358
Reserves	1,266,260	1,198,155
<b>Equity attributable to owners of the Company</b>	<b>2,114,358</b>	<b>2,040,513</b>
<b>Non-controlling interests</b>	<b>171,497</b>	<b>176,996</b>
<b>Total equity</b>	<b>2,285,855</b>	<b>2,217,509</b>
<b>Liabilities</b>		
Loans and borrowings	115,916	88,855
Loan from a Director	24,236	23,551
Deferred tax liabilities	69,558	68,371
<b>Total non-current liabilities</b>	<b>209,710</b>	<b>180,777</b>
Loans and borrowings	446,859	315,755
Trade and other payables	778,120	846,985
Contract liabilities	18,624	16,750
Due to a Director	--	2,384
Current tax liabilities	783	18,224
<b>Total current liabilities</b>	<b>1,244,386</b>	<b>1,200,098</b>
<b>Total liabilities</b>	<b>1,454,096</b>	<b>1,380,875</b>
<b>Total equity and liabilities</b>	<b>3,739,951</b>	<b>3,598,384</b>
<b>Net assets per share (RM)</b>	<b>0.55</b>	<b>0.54</b>

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## Condensed consolidated statement of comprehensive income for the period ended 30 April 2022 - unaudited

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Revenue</b>	927,588	1,074,778	2,909,690	3,061,185
Cost of sales	(834,721)	(922,061)	(2,635,512)	(2,648,269)
<b>Gross profit</b>	92,867	152,717	274,178	412,916
Operating expenses	(35,769)	(50,342)	(118,465)	(131,922)
Net other income/(expenses)	8,635	1,287	19,034	(616)
<b>Results from operating activities</b>	65,733	103,662	174,747	280,378
Finance costs	(2,811)	(2,277)	(8,352)	(8,162)
Interest income	375	923	2,173	3,053
Share of profit/(loss) of associates, net of tax	(415)	(2,692)	(1,328)	(2,002)
<b>Profit before tax</b>	62,882	99,616	167,240	273,267
Tax expense	(14,792)	(27,195)	(39,089)	(73,398)
<b>Profit for the period</b>	48,090	72,421	128,151	199,869
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations	29,116	9,585	28,552	(4,290)
Net change in fair value of equity instrument designated at fair value through other comprehensive income	(36,683)	(1,160)	(32,300)	175,061
<b>Total comprehensive income for the period</b>	40,523	80,846	124,403	370,640
<b>Profit attributable to:</b>				
Owners of the Company	51,294	73,383	135,173	203,854
Non-controlling interests	(3,204)	(962)	(7,022)	(3,985)
<b>Profit for the period</b>	48,090	72,421	128,151	199,869

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## Condensed consolidated statement of comprehensive income for the period ended 30 April 2022 – unaudited (Cont'd)

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2022 RM'000	2021 RM'000	2021 RM'000	2021 RM'000
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	43,232	80,119	129,902	367,000
Non-controlling interests	(2,709)	727	(5,499)	3,640
<b>Total comprehensive income for the period</b>	<u>40,523</u>	<u>80,846</u>	<u>124,403</u>	<u>370,640</u>
<b>Basic earnings per ordinary share (sen)</b>	<u>1.34</u>	<u>1.95</u>	<u>3.54</u>	<u>5.43</u>
<b>Diluted earnings per ordinary share (sen)</b>	<u>1.33</u>	<u>1.90</u>	<u>3.49</u>	<u>5.30</u>

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## Condensed consolidated statement of changes in equity for the period ended 30 April 2022 - 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
<i>At 1 August 2021</i>	842,358	247,842	950,313	2,040,513	176,996	2,217,509
Foreign currency translation differences for foreign operations	--	27,029	--	27,029	1,523	28,552
Net change in fair value of equity instrument designated at FVOCI	--	(32,300)	--	(32,300)	--	(32,300)
Profit for the period	--	--	135,173	135,173	(7,022)	128,151
Total comprehensive income for the period	--	(5,271)	135,173	129,902	(5,499)	124,403
Equity settled share-based transactions	4,471	2,591	--	7,062	--	7,062
Conversion of warrants	1,269	--	--	1,269	--	1,269
Dividends to shareholders	--	--	(68,710)	(68,710)	--	(68,710)
Changes in ownership interests in a subsidiary	--	--	4,322	4,322	--	4,322
Total transactions with owners of the Group	5,740	2,591	(64,388)	(56,057)	--	(56,057)
Realisation of revaluation reserve	--	(1,737)	1,737	--	--	--
<i>At 30 April 2022</i>	848,098	243,425	1,022,835	2,114,358	171,497	2,285,855

	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
<i>At 1 August 2020</i>	782,947	120,724	805,345	1,709,016	167,587	1,876,603
Foreign currency translation differences for foreign operations	--	(11,915)	--	(11,915)	7,625	(4,290)
Net change in fair value of equity investment designated at FVOCI	--	175,061	--	175,061	--	175,061
Transfer upon disposal of equity investment designated at FVOCI	--	(2,885)	2,885	--	--	--
Profit for the period	--	--	203,854	203,854	(3,985)	199,869
Total comprehensive income for the period	--	160,261	206,739	367,000	3,640	370,640
Equity settled share-based transactions	33,011	214	--	33,225	--	33,225
Dividends to shareholders	--	--	(75,264)	(75,264)	--	(75,264)
Total transactions with owners of the Group	33,011	214	(75,264)	(42,039)	--	(42,039)
Realisation of revaluation reserve	--	(1,711)	1,711	--	--	--
<i>At 30 April 2021</i>	815,958	279,488	938,531	2,033,977	171,227	2,205,204

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## Condensed consolidated statement of cash flows for the period ended 30 April 2022 - unaudited

	9 months ended 30 April	
	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	167,240	273,267
Adjustments for:		
Depreciation	90,284	75,794
Other non-cash items	2,593	12,404
Non-operating items	6,951	6,683
<b>Operating profit before changes in working capital</b>	<u>267,068</u>	<u>368,148</u>
Changes in working capital:		
Change in inventories	(161,893)	(75,234)
Change in contract assets	47,565	(84,777)
Change in trade and other receivables	(48,820)	(204,178)
Change in trade and other payables	(108,012)	178,407
Change in contract liabilities	1,874	8,661
Interest received	2,173	3,053
Tax paid	(68,439)	(59,505)
<b>Net cash (used in)/from operating activities</b>	<u>(68,484)</u>	<u>134,575</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(178,450)	(208,483)
Proceeds from disposal of property, plant and equipment	2,670	4,935
Net proceeds on disposal of other investments	--	4,216
Changes in pledged deposits	26,892	14,926
Prepayments	--	3,813
Other investments	--	(5,824)
Dividend received from an associate	--	3,000
<b>Net cash (used in)/from investing activities</b>	<u>(148,888)</u>	<u>(183,417)</u>
<b>Cash flows from financing activities</b>		
Bank borrowings	150,369	159,822
Dividend paid to owners of the Company	(68,710)	(75,264)
Proceeds from issuance of shares	4,364	22,913
(Repayment)/Loan from a Director	685	(768)
<b>Net cash (used in)/from financing activities</b>	<u>86,708</u>	<u>106,703</u>
Exchange differences on translation of the financial statements of foreign operations	<u>27,029</u>	<u>(11,915)</u>
<b>Net change in cash and cash equivalents</b>	<u>(103,635)</u>	<u>45,946</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>371,377</u>	<u>361,208</u>
Foreign exchange differences on opening balances	<u>3,458</u>	<u>1,867</u>
<b>Cash and cash equivalents at end of period</b>	<u>271,200</u>	<u>409,021</u>
<b>Cash and cash equivalent comprise:</b>		
Cash and cash equivalent in the statements of financial position	275,335	431,194
Less: Pledged deposits	(4,135)	(22,173)
	<u>271,200</u>	<u>409,021</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 nine months period ended 30 April 2022 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 2021 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 24 June 2022.

## 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 2021.

## 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 2021.

## 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 8.32 million ordinary shares pursuant to the exercise of share options under the Company's Employees Share Option Scheme and conversion of Warrants.

## 7. Dividends paid

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

- (a) a fourth interim dividend of 0.5 sen per ordinary share totalling RM19,082,901 in respect of the financial year ended 31 July 2021 on 29 October 2021;
- (b) a final dividend of 0.5 sen per ordinary share totalling RM19,086,889 in respect of the financial year ended 31 July 2021 on 31 January 2022;
- (c) a first interim dividend of 0.4 sen per ordinary share totalling RM15,269,566 in respect of the financial year ending 31 July 2022 on 4 March 2022; and
- (d) a second interim dividend of 0.4 sen per ordinary share totalling RM15,270,278 in respect of the financial year ending 31 July 2022 on 29 April 2022.

## 8. Segment information

- (a) Information about reportable segments

	9 months ended 30 April 2022			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	2,575,189	252,338	67,252	2,894,779
Segment profit/(loss) before tax	172,093	8,487	(15,200)	165,380

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## 8. Segment information (Cont'd)

(a) Information about reportable segments (Cont'd)

	9 months ended 30 April 2021			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	2,658,692	268,730	123,837	3,051,259
Segment profit/(loss) before tax	271,234	8,163	(7,878)	271,519

(b) Reconciliation of reportable segment profit or loss

	9 months ended 30 April	
	2022 RM'000	2021 RM'000
Total profit for reportable segments	165,380	271,519
Other non-reportable segments	3,188	3,750
Share of profit of associate not included in reportable segments	(1,328)	(2,002)
Consolidated profit before tax	167,240	273,267

## 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 30 April 2022.

## 12. Capital commitments

	30.04.2022 RM'000
Property, plant and equipment Contracted but not provided for	4,299

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## 13. Related party transactions

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

	9 months ended 30 April	
	2022 RM'000	2021 RM'000
<b>Subsidiaries in which certain Directors have financial interest</b>		
- Purchases	--	22
- Purchase of plant and equipment	667	930
<b>Companies which are wholly owned by close family member of certain Directors</b>		
- Purchases	2,957	4,684
<b>A company in which spouse of a Director has financial interest</b>		
- Purchases	17,299	10,788
- Sales	1,340	1,638
<b>Associates</b>		
- Sales	452	21
<b>A company which is controlled by close family member of a Director</b>		
- Sub-contracting fee payable	--	924
<b>A company which is controlled by a Director</b>		
- Operating lease charges and management fee payable	719	681
<b>A company which is controlled by close family member of a key management personnel</b>		
- Repair and maintenance services payable	169	64
<b>A company which is wholly owned by a Director</b>		
- Rental receivable	112	225
<b>A company which is wholly owned by close family member of a Director</b>		
- Sales of plant and equipment	353	--
<b>Remuneration paid to staff who are close family member of certain Directors</b>	1,305	1,115

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 RM927.6 million, a decrease of RM147.2 million as compared to the previous year corresponding quarter. Profit before tax was lower at RM62.9 million, a decline of RM36.7 million over the same period.

For the nine months period ended 30 April 2022, the Group recorded a lower revenue of RM2,909.7 million as compared to RM3,061.2 million in the preceding year corresponding period. Profit before tax stood at RM167.2 million, which was 38.8% or RM106.0 million lower over the same period.

The performance was affected by lower delivery of orders to key customers during the current quarter due to labour shortage as well as protracted disruption in the global supply chain which affected supply of components.

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

	Individual Quarter		Cumulative Quarter	
	30 April		30 April	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Malaysia	825,065	939,120	2,575,189	2,658,692
Indonesia	83,861	95,170	252,338	268,730
China	11,452	37,038	67,252	123,837
<b>Profit/(Loss) before tax</b>				
Malaysia	67,695	99,715	172,093	271,234
Indonesia	2,358	2,929	8,487	8,163
China	(6,520)	(1,750)	(15,200)	(7,878)

#### Malaysia segment

For the current quarter and cumulative quarters, Malaysia segment posted a 12.1% and 3.1% decrease in revenue respectively due to lower delivery of orders to key customers following shortages in labour and certain components. As such, overall operational efficiency did not reach optimal level.

Meanwhile, profit before tax dropped by 32.1% and 36.6% respectively over the same period. The reduced profitability was in tandem with lower revenue, coupled with additional factors that included increase in labour and raw materials costs, as well as higher depreciation from new facilities while mass production for a new key customer has yet to achieve optimal level.

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

### Indonesia segment

For the quarter under review, Indonesia segment recorded lower revenue and profit before tax of RM83.4 million and RM2.4 million respectively, as compared to the same period last year owing to lower sales orders from customers. However, on a cumulative basis, profit before tax was 4.0% higher at RM8.5 million despite the 6.1% drop in revenue as the segment registered stronger profitability during the first half of the financial year.

### China segment

China segment registered a lower revenue for the current quarter and cumulative quarters as operations remained under-utilised in the absence of large orders, underpinned by the highly challenging operating landscape in the country. Operating loss for the quarter was higher by comparison to corresponding quarter as the revenue base remained insufficient to cover the fixed cost.

## 15. Variation of results against preceding quarter

	<b>Current Quarter</b> <b>30 April 2022</b> <b>RM'000</b>	<b>Preceding Quarter</b> <b>31 January 2022</b> <b>RM'000</b>
Revenue	927,588	1,014,111
Profit before tax	62,882	54,075
Profit attributable to owners of the Company	51,294	44,487

For the current quarter under review, the Group recorded a higher profit before tax despite lower revenue mainly attributable to favourable product sales mix.

## 16. Current year prospects

Just as the Covid-19 situation improved with various nations relaxing movement restrictions, the world now has to grapple with new challenges brought about by the Russia-Ukraine war. Businesses, including the V.S. Group, are faced with multifaceted challenges such as inflation, rising labour and materials costs, labour shortage, as well as disruptions to supply chain and logistics, to name a few.

On a brighter note, the Group has recently received a new batch of foreign workers, with more to arrive in the coming months. The additional labour force will boost fulfilment of orders from key customers that have remained robust. In addition, being an exporter, the weaker RM against USD generally augurs well for the Group too.

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## 16. Current year prospects (Cont'd)

On the other hand, the independent review on VS' labour practices by PwC Consulting Associates (M) Sdn Bhd is still ongoing with results expected to be ready in the near future. Any further material development in this regard shall be announced in due course.

Over in Indonesia, the performance is expected to sustain based on current order visibility. Operations in China, meanwhile, will continue to be difficult in the foreseeable future in view of the strict Covid-19 measures, rising cost environment and lack of large scale orders. Cost management remains a key focus while efforts to secure new customers are still underway.

The management team is working hard and implementing necessary measures to ensure operations continue with least interruptions. All in all, the Board is cautiously optimistic on the outlook of the Group and opines that the financial performance of the Group for the remaining quarter of the financial year to be satisfactory.

## 17. Profit forecast

Not applicable.

## 18. Tax expense

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Tax expense Current period	15,616	27,321	40,750	74,386
Deferred tax expense Current period	(824)	(126)	(1,661)	(988)
	<u>14,792</u>	<u>27,195</u>	<u>39,089</u>	<u>73,398</u>

The effective tax rate of the Group for the financial year-to-date was lower than the statutory tax rate mainly due to the recognition of tax incentive in relation to the reinvestment allowance.

## 19. Status of uncompleted corporate proposals

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

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## 20. Borrowing and debt securities

	30.04.2022 RM'000	31.07.2021 RM'000
<b>Non-current</b>		
<i>Secured</i>		
Hire purchase liabilities	634	2,033
<i>Unsecured</i>		
Term loans	<u>115,282</u>	<u>86,822</u>
	<u>115,916</u>	<u>88,855</u>
<b>Current</b>		
<i>Secured</i>		
Trust receipts	--	20,767
Short term loan	--	14,309
Hire purchase liabilities	2,042	2,822
<i>Unsecured</i>		
Term loans	36,232	24,523
Bankers' acceptance	107,083	74,208
Trust receipts/Onshore loans	287,101	167,867
Short term loan	<u>14,401</u>	<u>11,259</u>
	<u>446,859</u>	<u>315,755</u>
	<u>562,775</u>	<u>404,610</u>

Borrowings denominated in US Dollar amounted to RM248.8 million (31.7.2021: RM228.4 million).

## 21. 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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## 22. Profit for the period

	3 months ended		9 months ended	
	30 April		30 April	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period is arrived at after charging/(crediting)</b>				
Depreciation	30,840	26,355	90,284	75,794
Net foreign exchange (gain)/loss	(7,386)	(178)	(14,743)	1,999
Loss/(Gain) on disposal of property, plant and equipment	(782)	(449)	(1,542)	1,332

## 23. Dividends

- (a) A third interim dividend of 0.4 sen per ordinary share was declared on 24 June 2022 for the financial year ending 31 July 2022 and will be paid on 29 July 2022 to shareholders whose names appear on the Company's Record of Depositors on 12 July 2022.
- (b) The total dividend per share for the current financial year is 1.2 sen (previous year corresponding period: 3.2 sen).

## 24. 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 owners of the Company of RM51.3 million and RM135.2 million respectively and the weighted average number of ordinary shares of 3,817.513 million and 3,816.180 million respectively.

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

The calculation of diluted earnings per share for the current quarter and financial year-to-date are based on net profit attributable to owners of the Company of RM51.3 million and RM135.2 million respectively and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 3,864.508 million and 3,869.815 million respectively.