

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

Interim Financial Report
31 October 2022

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

Condensed consolidated statement of financial position As at 31 October 2022 – unaudited

	31.10.2022 RM'000	31.07.2022 RM'000
Assets		
Property, plant and equipment	1,219,419	1,214,528
Right-of-use assets	106,456	107,374
Investments properties	24,170	24,170
Investments in associates	4,890	4,952
Other investments	184,686	156,699
Deferred tax assets	5,394	5,166
Total non-current assets	1,545,015	1,512,889
Inventories	838,925	925,006
Contract assets	189,515	139,582
Trade and other receivables	1,380,015	1,092,256
Current tax asset	16,273	31,864
Cash and cash equivalents	572,814	278,607
Total current assets	2,997,542	2,467,315
Total assets	4,542,557	3,980,204
Equity		
Share capital	860,500	855,306
Reserves	1,442,369	1,335,006
Equity attributable to owners of the Company	2,302,869	2,190,312
Non-controlling interests	165,803	170,673
Total equity	2,468,672	2,360,985
Liabilities		
Loans and borrowings	609,496	123,789
Lease liabilities	823	1,392
Loan from a Director	25,785	24,719
Deferred tax liabilities	103,116	105,745
Total non-current liabilities	739,220	255,645
Loans and borrowings	402,743	476,284
Lease liabilities	2,307	2,312
Trade and other payables	911,765	860,286
Contract liabilities	16,535	23,543
Current tax liabilities	1,315	1,149
Total current liabilities	1,334,665	1,363,574
Total liabilities	2,073,885	1,619,219
Total equity and liabilities	4,542,557	3,980,204
Net assets per share (RM)	0.60	0.57

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Condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 October 2022 - unaudited

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	1,294,327	967,991	1,294,327	967,991
Cost of sales	<u>(1,160,263)</u>	<u>(875,969)</u>	<u>(1,160,263)</u>	<u>(875,969)</u>
Gross profit	134,064	92,022	134,064	92,022
Operating expenses	(45,002)	(44,173)	(45,002)	(44,173)
Net other income/(expenses)	<u>(1,563)</u>	<u>5,024</u>	<u>(1,563)</u>	<u>5,024</u>
Results from operating activities	87,499	52,873	87,499	52,873
Finance costs	(8,203)	(2,928)	(8,203)	(2,928)
Interest income	1,528	931	1,528	931
Share of profit/(loss) of associates, net of tax	<u>36</u>	<u>(593)</u>	<u>36</u>	<u>(593)</u>
Profit before tax	80,860	50,283	80,860	50,283
Tax expense	<u>(21,572)</u>	<u>(12,533)</u>	<u>(21,572)</u>	<u>(12,533)</u>
Profit for the period	<u>59,288</u>	<u>37,750</u>	<u>59,288</u>	<u>37,750</u>
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	37,293	(14,986)	37,293	(14,986)
Net change in fair value of equity instrument designated at fair value through other comprehensive income	<u>19,713</u>	<u>31,105</u>	<u>19,713</u>	<u>31,105</u>
Total comprehensive income for the period	<u>116,294</u>	<u>53,869</u>	<u>116,294</u>	<u>53,869</u>
Profit attributable to:				
Owners of the Company	60,707	39,392	60,707	39,392
Non-controlling interests	<u>(1,419)</u>	<u>(1,642)</u>	<u>(1,419)</u>	<u>(1,642)</u>
Profit for the period	<u>59,288</u>	<u>37,750</u>	<u>59,288</u>	<u>37,750</u>

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Condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 October 2022 – unaudited (Cont'd)

	Individual 3 months ended 31 October		Cumulative 3 months ended 31 October	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:				
Owners of the Company	121,164	57,298	121,164	57,298
Non-controlling interests	(4,870)	(3,429)	(4,870)	(3,429)
Total comprehensive income for the period	<u>116,294</u>	<u>53,869</u>	<u>116,294</u>	<u>53,869</u>
Basic earnings per ordinary share (sen)	<u>1.58</u>	<u>1.03</u>	<u>1.58</u>	<u>1.03</u>
Diluted earnings per ordinary share (sen)	<u>1.57</u>	<u>1.00</u>	<u>1.57</u>	<u>1.00</u>

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Condensed consolidated statement of changes in equity for the period ended 31 October 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
At 1 August 2022	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	--	--	--
At 31 October 2022	860,500	356,100	1,086,269	2,302,869	165,803	2,468,672

	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
At 1 August 2021	842,358	247,842	950,313	2,040,513	176,996	2,217,509
Foreign currency translation differences for foreign operations	--	(13,199)	--	(13,199)	(1,787)	(14,986)
Net change in fair value of equity instrument designated at FVOCI	--	31,105	--	31,105	--	31,105
Profit for the period	--	--	39,392	39,392	(1,642)	37,750
Total comprehensive income for the period	--	17,906	39,392	57,298	(3,429)	53,869
Equity settled share-based transactions	4,726	(210)	--	4,516	--	4,516
Dividends to shareholders	--	--	(19,083)	(19,083)	--	(19,083)
Total transactions with owners of the Group	4,726	(210)	(19,083)	(14,567)	--	(14,567)
Realisation of revaluation reserve	--	(691)	691	--	--	--
At 31 October 2021	847,084	264,847	971,313	2,083,244	173,567	2,256,811

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Condensed consolidated statement of cash flows for the period ended 31 October 2022 – unaudited

	3 months ended 31 October	
	2022 RM'000	2021 RM'000
Cash flows from operating activities		
Profit before tax	80,860	50,283
Adjustments for:		
Depreciation	31,816	29,206
Other non-cash items	1,185	745
Non-operating items	6,682	2,807
Operating profit before changes in working capital	<u>120,543</u>	<u>83,041</u>
Changes in working capital:		
Change in inventories	86,081	8,242
Change in contract assets	(49,933)	1,761
Change in trade and other receivables	(287,762)	36,962
Change in trade and other payables	57,453	(104,372)
Change in contract liabilities	(7,008)	2,000
Interest received	1,180	932
Tax paid	(8,672)	(29,797)
Net cash (used in)/from operating activities	<u>(88,118)</u>	<u>(1,231)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(56,062)	(53,991)
Proceeds from disposal of property, plant and equipment	2,618	1,122
Changes in pledged deposits	(15,460)	6,170
Other investments	(991)	--
Net cash (used in)/from investing activities	<u>(69,895)</u>	<u>(46,699)</u>
Cash flows from financing activities		
Bank borrowings	403,694	22,968
Dividend paid to owners of the Company	(15,349)	(19,083)
Proceeds from issuance of shares	3,632	3,168
Loan/ (Repayment) from/to a Director	1,066	(497)
Net cash (used in)/from financing activities	<u>393,043</u>	<u>6,556</u>
Exchange differences on translation of the financial statements of foreign operations	40,744	(13,199)
Net change in cash and cash equivalents	<u>275,774</u>	<u>(54,573)</u>
Cash and cash equivalents at beginning of period	<u>274,643</u>	<u>371,377</u>
Foreign exchange differences on opening balances	2,973	(2,435)
Cash and cash equivalents at end of period	<u>553,390</u>	<u>314,369</u>
Cash and cash equivalent comprise:		
Cash and cash equivalent in the statements of financial position	572,814	339,226
Less: Pledged deposits	(19,424)	(24,857)
	<u>553,390</u>	<u>314,369</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 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 2022 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 16 December 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 2022.

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 2022.

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 8.1 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 0.4 sen per ordinary share totalling RM15,348,730 in respect of the financial year ended 31 July 2022 on 28 October 2022.

8. Segment information

(a) Information about reportable segments

	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

	3 months ended 31 October 2021				
	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	621,842	234,804	79,406	31,939	967,991
Inter-segment revenue	233,075	--	--	--	233,075
Segment profit/(loss) before tax	50,379	1,558	2,109	(3,170)	50,876

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8. Segment information (Cont'd)

(b) Reconciliation of reportable segment profit or loss

	3 months ended	
	31 October	
	2022	2021
	RM'000	RM'000
Total profit for reportable segments	80,824	50,876
Share of profit of associate not included in reportable segments	36	(593)
Consolidated profit before tax	<u>80,860</u>	<u>50,283</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 2022 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. The Company had on 22 September 2022, through its legal counsel, filed its defence against the claim.

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12. Capital commitments

	31.10.2022
	RM'000
Property, plant and equipment Contracted but not provided for	<u>16,645</u>

13. Related party transactions

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

	3 months ended	
	31 October	
	2022	2021
	RM'000	RM'000
Subsidiaries in which certain Directors have financial interest		
- Purchase of plant and equipment	<u>--</u>	<u>667</u>
Companies which are wholly owned by close family member of certain Directors		
- Purchases	<u>334</u>	<u>1,112</u>
A company in which spouse of a Director has financial interest		
- Purchases	7,925	4,337
- Sales	<u>--</u>	<u>759</u>
A company controlled by a Director		
- Operating lease charges and management fee payable	<u>238</u>	<u>236</u>
A company controlled by close family member of a key management personnel		
- Repair and maintenance services payable	<u>29</u>	<u>71</u>
A company wholly owned by a Director		
- Rental receivable	<u>38</u>	<u>38</u>
A company wholly owned by close family member of a Director		
- Sales	50	--
- Sales of plant and equipment	<u>--</u>	<u>250</u>
A company in which spouse of a Director has financial interest		
- Technical fee payable	<u>90</u>	<u>--</u>
Remuneration paid to staff who are close family member of certain Directors	<u>340</u>	<u>306</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 RM1,294.3 million, an increase of 33.7% or RM326.3 million as compared to the previous year corresponding quarter. Profit before tax grew by 60.8% or RM30.6 million to RM80.9 million over the same period.

The improved earnings for the current quarter was mainly attributable to higher sales orders from existing key customers.

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

	Individual Quarter 31 October	
	2022 RM'000	2021 RM'000
Revenue		
Malaysia	1,007,705	621,842
Singapore	167,627	234,804
Indonesia	105,942	79,406
China	13,053	31,939
Profit/(Loss) before tax		
Malaysia	77,726	50,379
Singapore	1,068	1,558
Indonesia	4,825	2,109
China	(2,795)	(3,170)

Malaysia segment

Malaysia segment posted a 62.1% increase in revenue in the current quarter due to higher sales orders from key customers. The surge in sales has led to higher profit before tax of RM77.7 million.

Singapore segment

Singapore segment which acts as the marketing arm for Malaysia operations recorded a lower profit before tax of RM1.1 million for the quarter under review as compared to profit before tax of RM1.6 million in the preceding year corresponding quarter mainly due to lower sales order from a key customer.

Indonesia segment

Indonesia segment recorded a higher profit before tax of RM4.8 million for the quarter under review as compared to previous year corresponding quarter, in tandem with the increase in sales orders from a key customer.

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14. Review of performance (Cont'd)

China segment

Losses in China narrowed to RM2.8 million as compared to RM3.2 million in the preceding year corresponding quarter. The operating environment remained highly challenging and in the absence of large orders, the low revenue base was insufficient to cover fixed cost.

15. Variation of results against preceding quarter

	Current Quarter 31 October 2022 RM'000	Preceding Quarter 31 July 2022 RM'000
Revenue	1,294,327	1,004,369
Profit before tax	80,860	33,462
Profit attributable to owners of the Company	60,707	31,633

For the current quarter under review, the Group recorded a higher profit before tax attributable to increase in sales orders from key customers, as well as absence of one-off impairment on investment in associate and impairment on plant and equipment that were recognized in the preceding quarter.

16. Current year prospects

Challenges are abound for the current financial year. Global macroeconomic issues such as rising inflation and interest rates have led to rising cost of living and in turn, affected consumer sentiment and purchasing power. At this juncture, however, the order flow from customers remains satisfactory.

Barring unforeseen circumstances, 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Tax expense				
Current period	22,318	12,754	22,318	12,754
Deferred tax expense				
Current period	(746)	(221)	(746)	(221)
	<u>21,572</u>	<u>12,533</u>	<u>21,572</u>	<u>12,533</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

	31.10.2022 RM'000	31.07.2022 RM'000
Non-current		
<i>Secured</i>		
Hire purchase liabilities	365	492
<i>Unsecured</i>		
Term loans	109,131	123,297
Sukuk	500,000	--
	<u>609,496</u>	<u>123,789</u>

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20. Borrowing and debt securities (Cont'd)

	31.10.2022 RM'000	31.07.2022 RM'000
Current		
Secured		
Hire purchase liabilities	1,020	1,536
Unsecured		
Term loans	37,370	39,646
Bankers' acceptance	112,771	109,089
Trust receipts/Onshore loans	232,386	308,571
Short term loan	19,196	17,442
	<u>402,743</u>	<u>476,284</u>
	<u>1,012,239</u>	<u>600,073</u>

Borrowings denominated in US Dollar amounted to RM210.3 million (31.7.2022: RM306.0 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	
	2022 RM'000	2021 RM'000
Profit for the period is arrived at after charging/(crediting)		
Depreciation	31,816	29,206
Net foreign exchange (gain)/loss	5,531	(3,266)
Loss/(Gain) on disposal of property, plant and equipment	(1,929)	(718)

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23. Dividends

- (a) A first interim dividend of 0.5 sen per ordinary share was declared on 16 December 2022 for the financial year ending 31 July 2023 and will be paid on 3 March 2023 to shareholders whose names appear on the Company's Record of Depositors on 17 February 2023.
- (b) The total dividend per share for the current financial year is 0.5 sen (previous year corresponding period: 0.4 sen).

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 RM60.7 million and the weighted average number of ordinary shares of 3,837.052 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 RM60.7 million and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 3,872.584 million.