

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

Interim Financial Report
31 January 2024

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

Condensed consolidated statement of financial position As at 31 January 2024 – unaudited

	31.01.2024 RM'000	31.07.2023 RM'000
Assets		
Property, plant and equipment	1,035,401	987,336
Right-of-use assets	100,097	98,797
Investments properties	30,543	30,238
Investments in associates	14,477	6,530
Investments in a joint venture	--	6,400
Intangible assets	4,454	--
Other investments	135,103	129,898
Deferred tax assets	5,226	5,083
Total non-current assets	1,325,301	1,264,282
Inventories	611,675	703,779
Contract assets	156,653	179,123
Trade and other receivables	1,094,549	1,187,170
Current tax asset	23,705	18,912
Cash and cash equivalents	745,275	689,273
Total current assets	2,631,857	2,778,257
Total assets	3,957,158	4,042,539
Equity		
Share capital	881,842	873,515
Reserves	1,327,240	1,273,675
Equity attributable to owners of the Company	2,209,082	2,147,190
Non-controlling interests	137,218	131,665
Total equity	2,346,300	2,278,855
Liabilities		
Loans and borrowings	578,030	585,157
Deferred tax liabilities	67,755	68,541
Total non-current liabilities	645,785	653,698
Loans and borrowings	318,244	269,794
Lease liabilities	201	1,392
Loan from a Director	19,599	22,121
Trade and other payables	590,164	782,394
Contract liabilities	21,382	18,490
Current tax liabilities	15,483	15,795
Total current liabilities	965,073	1,109,986
Total liabilities	1,610,858	1,763,684
Total equity and liabilities	3,957,158	4,042,539
Net assets per share (RM)	0.58	0.56

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Condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 January 2024 - unaudited

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Revenue	895,022	1,147,007	2,048,120	2,441,334
Cost of sales	(844,460)	(1,038,101)	(1,901,256)	(2,198,364)
Gross profit	50,562	108,906	146,864	242,970
Operating expenses	(48,000)	(41,963)	(86,040)	(86,965)
Net other income/(expenses)	15,535	(18,723)	25,636	(20,286)
Results from operating activities	18,097	48,220	86,460	135,719
Finance costs	(11,596)	(11,398)	(22,449)	(19,601)
Finance income	6,139	1,874	12,141	3,402
Share of profit of associates, net of tax	931	147	1,571	183
Reversal of impairment on investment accounted for using the equity method	5,950	--	5,950	--
Profit before tax	19,521	38,843	83,673	119,703
Tax expense	(7,583)	(11,132)	(23,945)	(32,704)
Profit for the period	11,938	27,711	59,728	86,999
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(4,035)	(91,077)	51,418	(53,784)
Net change in fair value of equity instrument designated at fair value through other comprehensive income	8,000	9,137	(569)	28,850
Total comprehensive income for the period	15,903	(54,229)	110,577	62,065
Profit attributable to:				
Owners of the Company	16,001	30,360	64,985	91,067
Non-controlling interests	(4,063)	(2,649)	(5,257)	(4,068)
Profit for the period	11,938	27,711	59,728	86,999

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Condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 January 2024 – unaudited (Cont'd)

	Individual 3 months ended 31 January		Cumulative 3 months ended 31 January	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:				
Owners of the Company	18,338	(47,375)	109,839	73,789
Non-controlling interests	(2,435)	(6,854)	738	(11,724)
Total comprehensive income for the period	<u>15,903</u>	<u>(54,229)</u>	<u>110,577</u>	<u>62,065</u>
Basic earnings per ordinary share (sen)	<u>0.42</u>	<u>0.79</u>	<u>1.69</u>	<u>2.37</u>
Diluted earnings per ordinary share (sen)	<u>0.41</u>	<u>0.78</u>	<u>1.68</u>	<u>2.35</u>

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Condensed consolidated statement of changes in equity for the period ended 31 January 2024 - 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 2023	873,515	113,288	1,160,387	2,147,190	131,665	2,278,855
Foreign currency translation differences for foreign operations	--	45,423	--	45,423	5,995	51,418
Net change in fair value of equity instrument designated at FVOCI	--	(569)	--	(569)	--	(569)
Profit for the period	--	--	64,985	64,985	(5,257)	59,728
Total comprehensive income for the period	--	44,854	64,985	109,839	738	110,577
Share buyback	--	(14,602)	--	(14,602)	--	(14,602)
Equity settled share-based transactions	8,327	(3,158)	--	5,169	--	5,169
Dividends to shareholders	--	--	(38,514)	(38,514)	--	(38,514)
Acquisition of new subsidiaries	--	--	--	--	4,815	4,815
Total transactions with owners of the Group	8,327	(17,760)	(38,514)	(47,947)	4,815	(43,132)
Realisation of revaluation reserve	--	(40)	40	--	--	--
At 31 January 2024	881,842	140,342	1,186,898	2,209,082	137,218	2,346,300

	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	--	(46,128)	--	(46,128)	(7,656)	(53,784)
Net change in fair value of equity instrument designated at FVOCI	--	28,850	--	28,850	--	28,850
Profit for the period	--	--	91,067	91,067	(4,068)	86,999
Total comprehensive income for the period	--	(17,278)	91,067	73,789	(11,724)	62,065
Equity settled share-based transactions	10,848	1,265	--	12,113	--	12,113
Dividends to shareholders	--	--	(15,349)	(15,349)	--	(15,349)
Total transactions with owners of the Group	10,848	1,265	(15,349)	(3,236)	--	(3,236)
Realisation of revaluation reserve	--	(2,037)	2,037	--	--	--
At 31 January 2023	866,154	277,158	1,117,553	2,260,865	158,949	2,419,814

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Condensed consolidated statement of cash flows for the period ended 31 January 2024 – unaudited

	6 months ended 31 January	
	2024	2023
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	83,673	119,703
Adjustments for:		
Depreciation	60,852	62,706
Other non-cash items	(5,422)	4,126
Non-operating items	8,265	7,320
Operating profit before changes in working capital	<u>147,368</u>	<u>193,855</u>
Changes in working capital:		
Change in inventories	95,019	133,182
Change in contract assets	22,470	(45,702)
Change in trade and other receivables	101,125	(282,553)
Change in trade and other payables	(189,980)	(4,458)
Change in contract liabilities	2,892	(10,276)
Interest received	12,141	3,402
Tax paid	(30,023)	(23,176)
Net cash (used in)/from operating activities	<u>161,012</u>	<u>(35,726)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(94,185)	(82,616)
Proceeds from disposal of property, plant and equipment	859	3,966
Changes in pledged deposits	--	3,964
Other investments	--	(991)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(1,016)	--
Net cash (used in)/from investing activities	<u>(94,342)</u>	<u>(75,677)</u>
Cash flows from financing activities		
Bank borrowings	16,657	301,215
Dividend paid to owners of the Company	(38,514)	(15,349)
Proceeds from issuance of shares	5,963	7,745
Loan/ (Repayment) from/to a Director	(4,785)	(1,038)
Payment of lease liabilities	(1,191)	(1,144)
Repurchase of treasury shares	(14,602)	--
Net cash (used in)/from financing activities	<u>(36,472)</u>	<u>291,429</u>
Exchange differences on translation of the financial statements of foreign operations	<u>7,065</u>	<u>(46,128)</u>
Net change in cash and cash equivalents	<u>37,263</u>	<u>133,898</u>
Cash and cash equivalents at beginning of period	<u>688,973</u>	<u>274,643</u>
Foreign exchange differences on opening balances	<u>17,762</u>	<u>(4,885)</u>
Cash and cash equivalents at end of period	<u><u>743,998</u></u>	<u><u>403,656</u></u>
Cash and cash equivalent comprise:		
Cash and cash equivalent in the statements of financial position	745,275	403,656
Less: Bank Overdraft	(1,277)	--
	<u><u>743,998</u></u>	<u><u>403,656</u></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 six months period ended 31 January 2024 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 27 March 2024.

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 followings:-

- (a) issuance of 12.5 million ordinary shares pursuant to the exercise of share options under the Company's Employees Share Option Scheme; and
- (b) repurchase of its own shares from the open market totalling 18.5302 million units at an average price of RM0.79 per share. The total considerations paid for the repurchase including transaction cost was RM14.6 million. The shares repurchased are being held as treasury shares.

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 RM19,263,237 in respect of the financial year ended 31 July 2023 on 27 October 2023; and
- (b) a final dividend of 0.5 sen per ordinary share totalling RM19,250,750 in respect of the financial year ended 31 July 2023 on 2 February 2024.

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8. Segment information

(a) Information about reportable segments

	6 months ended 31 January 2024				
	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	1,398,244	477,425	148,672	23,779	2,048,120
Inter-segment revenue	463,118	--	--	--	463,118
Segment profit/(loss) before tax	88,337	2,444	(1,669)	(12,960)	76,152

	6 months ended 31 January 2023				
	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	1,874,727	342,837	200,861	22,909	2,441,334
Inter-segment revenue	340,771	--	--	--	340,771
Segment profit/(loss) before tax	117,571	1,921	8,138	(8,110)	119,520

(b) Reconciliation of reportable segment profit or loss

	6 months ended 31 January	
	2024 RM'000	2023 RM'000
Total profit for reportable segments	76,152	119,520
Share of profit of associate not included in reportable segments	1,571	183
Reversal of impairment on investment accounted for using the equity method	5,950	--
Consolidated profit before tax	83,673	119,703

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.

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11. Contingent liabilities and contingent assets

The Group does not have any contingent liabilities and contingent assets as at 31 January 2024 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.

12. Capital commitments

	31.01.2024 RM'000
Property, plant and equipment Contracted but not provided for	<u>12,226</u>

13. Related party transactions

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

	6 months ended 31 January	
	2024 RM'000	2023 RM'000
Companies which are wholly owned by close family member of certain Directors		
- Purchases	<u>3,956</u>	<u>473</u>
Company in which spouse of a Director has financial interest		
- Purchases	<u>42,292</u>	<u>27,407</u>
Company wholly owned by a Director		
- Rental receivable	<u>76</u>	<u>76</u>
Firm in which spouse of a Director is a Partner		
- Professional fees	<u>28</u>	<u>--</u>

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13. Related party transactions (Cont'd)

	6 months ended	
	31 January	
	2024	2023
	RM'000	RM'000
Company controlled by a Director		
- Operating lease charges and management fee payable	203	468
Company controlled by close family member of a key management personnel		
- Repair and maintenance services payable	73	59
Company wholly owned by close family member of a Director		
- Sales	--	49
Company in which spouse of a Director has financial interest		
- Technical fee payable	36	177
Remuneration paid to staff who are close family member of certain Directors	1,273	1,014

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 RM895.0 million, a decrease of 22.0% or RM252.0 million as compared to the previous year corresponding quarter. Profit before tax, meanwhile, decreased 49.7% or RM19.3 million to RM19.5 million over the same period.

For the six months period ended 31 January 2024, the Group recorded a revenue of RM2,048.1 million, a decrease of RM393.2 million or 16.1% as compared to RM2,441.3 million in the preceding year corresponding period. Profit before tax stood at RM83.7 million, which was 30.1% or RM36.0 million lower over the same period.

The reduced earnings for the current quarter and cumulative quarters were 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		Cumulative Quarter	
	31 January		31 January	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Revenue				
Malaysia	596,035	867,022	1,398,244	1,874,727
Singapore	213,808	175,210	477,425	342,837
Indonesia	74,216	94,919	148,672	200,861
China	10,963	9,856	23,779	22,909
Profit/(Loss) before tax				
Malaysia	22,815	39,845	88,337	117,571
Singapore	148	853	2,444	1,921
Indonesia	(159)	3,313	(1,669)	8,138
China	(10,164)	(5,315)	(12,960)	(8,110)

Malaysia segment

For the current quarter and cumulative quarters, Malaysia segment posted a 31.3% and 25.4% decrease in revenue respectively due to lower sales orders from key customers. Meanwhile, profit before tax, dropped by 42.7% and 24.9% respectively over the same period. The reduced profitability was attributable to lower overall utilisation rate of production capacity as mentioned above.

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14. Review of performance (Cont'd)

Singapore segment

Singapore segment, which acts as the marketing arm for Malaysia operations, recorded a lower profit before tax for the current quarter despite increase in revenue due to higher operating expenses. On cumulative basis, higher profit before tax was in line with higher sales orders from a key customer.

Indonesia segment

The Indonesia segment recorded another loss for the current quarter and cumulative quarters mainly due to lower sales orders from a key customer.

China segment

The operations in China continued to incur losses due to the highly difficult operating conditions in the country. Without significant orders, the limited revenue generated was unable to offset the fixed costs.

15. Variation of results against preceding quarter

	Current Quarter 31 January 2024 RM'000	Preceding Quarter 31 October 2023 RM'000
Revenue	895,022	1,153,098
Profit before tax	19,521	64,152
Profit attributable to owners of the Company	16,001	48,984

For the current quarter under review, the Group recorded a lower profit before tax mainly attributable to lower orders from key customers which in turn affected the overall utilisation rate of production capacity.

16. Current year prospects

The elevated cost environment at macro level continues to exert pressure on performance, while internally, lower utilisation rate in tandem with softer orders has affected profitability. However, we are seeing encouraging signs emerging that signify a positive trajectory for our operations. Notably, orders from key customers are gradually rising again underpinned by normalization of inventory level and improving sentiments. In addition, the launching of new models by certain customers serve to sustain market interest as well.

During the period of softer orders, the Group has been busy strengthening our market positioning and value proposition to customers by further enhancing in-house capabilities. We have now successfully developed several new processes that are ready for mass production in the near future.

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16. Current year prospects (Cont'd)

Meanwhile, the ongoing discussions with prospective customers are charting good progress and we are positive of broadening our clientele by the end of calendar year.

All in all, the Board opines that the financial performance of the Group for the remaining quarters to gradually reflect improving performance, and firmly supported by our lean balance sheet with low net gearing and healthy cashflow.

17. Profit forecast

Not applicable.

18. Tax expense

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Tax expense				
- Current period	11,931	11,316	29,845	33,634
- Prior years	(616)	590	(616)	590
Deferred tax expense				
- Current period	<u>(3,732)</u>	<u>(774)</u>	<u>(5,284)</u>	<u>(1,520)</u>
	<u>7,583</u>	<u>11,132</u>	<u>23,945</u>	<u>32,704</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.

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20. Borrowing and debt securities

	31.01.2024	31.07.2023
	RM'000	RM'000
Non-current		
<i>Secured</i>		
Hire purchase liabilities	109	195
<i>Unsecured</i>		
Term loans	77,921	84,962
Sukuk	500,000	500,000
	<u>578,030</u>	<u>585,157</u>
Current		
<i>Secured</i>		
Hire purchase liabilities	175	299
<i>Unsecured</i>		
Term loans	59,313	36,362
Bankers' acceptance	163,294	137,355
Trust receipts/Onshore loans	79,911	88,458
Short term loan	14,274	7,020
Bank overdraft	1,277	300
	<u>318,244</u>	<u>269,794</u>
	<u>896,274</u>	<u>854,951</u>

Borrowings denominated in US Dollar amounted to RM136.5 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		6 months ended	
	31 January		31 January	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting)				
Depreciation	31,110	30,890	60,852	62,706
Net foreign exchange (gain)/loss	(12,788)	19,797	(21,720)	25,328
Loss/(Gain) on disposal of property, plant and equipment	(525)	(165)	(526)	(2,094)

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23. Dividends

- (a) A second interim dividend of 0.3 sen per ordinary share was declared on 27 March 2024 for the financial year ending 31 July 2024 and will be paid on 30 April 2024 to shareholders whose names appear on the Company's Record of Depositors on 16 April 2024.
- (b) The total dividend per share for the current financial year is 0.6 sen (previous year corresponding period: 0.8 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 RM16.0 million and RM65.0 million respectively and the weighted average number of ordinary shares of 3,844.767 million and 3,845.830 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 RM16.0 million and RM65.0 million respectively and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 3,856.482 million and 3,863.874 million respectively.