V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))
(Incorporated in Malaysia)

Interim Financial Report
31 January 2021

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Condensed consolidated statement of financial position
As at 31 January 2021 – unaudited

	31.01.2021 RM'000	31.07.2020 RM'000
Assets		
Property, plant and equipment	915,935	846,875
Right-of-use assets	99,143	98,575
Investment properties	6,500	6,500
Investment in associates	65,444	67,754
Other investments	248,284	78,017
Prepayments	229	3,813
Deferred tax assets	4,793	5,059
Total non-current assets	1,340,328	1,106,593
Inventories	388,826	331,800
Contract assets	112,414	103,648
Trade and other receivables	1,002,734	884,372
Current tax asset	2,936	2,334
Cash and cash equivalents	485,906	404,512
Total current assets	1,992,816	1,726,666
Total assets	3,333,144	2,833,259
Equity		
Share capital	814,578	782,947
Reserves	1,193,918	926,069
Equity attributable to owners of the Company	2,008,496	1,709,016
Non-controlling interests	170,500	167,587
Total equity	2,178,996	1,876,603
Liabilities		
Loans and borrowings	67,441	27,997
Loan from a Director	22,648	23,614
Deferred tax liabilities	66,952	65,718
Total non-current liabilities	157,041	117,329
Loans and borrowings	219,506	224,027
Trade and other payables	713,553	575,972
Contract liabilities	17,109	7,553
Due to Directors	2,384	2,384
Current tax liabilities	44,555	29,391
Total current liabilities	997,107	839,327
Total liabilities	1,154,148	956,656
Total equity and liabilities	3,333,144	2,833,259
Net assets per share	1.07	0.92

Condensed consolidated statement of comprehensive income for the period ended 31 January 2021 - unaudited

	Individual 3 months ended 31 January		**Cumulative 6 months ended 31 January**	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Revenue	999,307	820,328	1,986,407	1,854,924
Cost of sales	(870,150)	(745,216)	(1,726,208)	(1,675,210)
Gross profit	129,157	75,112	260,199	179,714
Operating expenses	(40,388)	(37,042)	(81,580)	(75,340)
Net other income/(expenses)	(2,007)	6,865	(1,903)	6,417
Results from operating activities	86,762	44,935	176,716	110,791
Finance costs	(2,682)	(4,981)	(5,885)	(10,581)
Interest income	1,003	2,056	2,130	3,969
Share of profit/(loss) of associates, net of tax	158	1,500	690	3,000
Profit/(Loss) before tax	85,241	43,510	173,651	107,179
Tax expense	(21,663)	(12,242)	(46,203)	(29,511)
Profit/(Loss) for the period	63,578	31,268	127,448	77,668
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(10,679)	(11,789)	(13,875)	(8,797)
Net change in fair value of equity investment designated at fair value through other comprehensive income	142,104	(3,774)	173,336	6,816
Disposal of equity investment designated at fair value through other comprehensive income	--	--	2,885	--
Total comprehensive income for the period	195,003	15,705	289,794	75,687
Profit attributable to:				
Owners of the Company	63,794	33,197	130,471	81,270
Non-controlling interests	(216)	(1,929)	(3,023)	(3,602)
Profit for the period	63,578	31,268	127,448	77,668

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Condensed consolidated statement of comprehensive income for the period ended 31 January 2021 – unaudited (Cont'd)

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Total comprehensive income attributable to:				
Owners of the Company	193,309	18,642	286,881	82,279
Non-controlling interests	1,694	(2,937)	2,913	(6,592)
Total comprehensive income for the period	195,003	15,705	289,794	75,687
Basic earnings per ordinary share (sen)	3.39	1.79	6.95	4.41
Diluted earnings per ordinary share (sen)	3.31	1.79	6.79	4.41

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Condensed consolidated statement of changes in equity for the period ended 31 January 2021 - 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 2020	782,947	120,724	805,345	1,709,016	167,587	1,876,603
Foreign currency translation differences for foreign operations	--	(19,811)	--	(19,811)	5,936	(13,875)
Net change in fair value of equity investment designated at FVOCI	--	173,336	--	173,336	--	173,336
Disposal of equity investment designated at FVOCI	--	--	2,885	2,885	--	2,885
Profit for the period	--	--	130,471	130,471	(3,023)	127,448
Total comprehensive income for the period	--	153,525	133,356	286,881	2,913	289,794
Equity settled share-based transactions	31,631	(3,990)	--	27,641	--	27,641
Dividends to shareholders	--	--	(15,042)	(15,042)	--	(15,042)
Total transactions with owners of the Group	31,631	(3,990)	(15,042)	12,599	--	12,599
Realisation of revaluation reserve	--	(1,195)	1,195	--	--	--
At 31 January 2021	814,578	269,064	924,854	2,008,496	170,500	2,178,996

	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 2019	753,077	118,567	734,822	1,606,466	177,995	1,784,461
Foreign currency translation differences for foreign operations	--	(5,807)	--	(5,807)	(2,990)	(8,797)
Net change in fair value of equity investment designated at FVOCI	--	6,816	--	6,816	--	6,816
Profit for the period	--	--	81,270	81,270	(3,602)	77,668
Total comprehensive income for the period	--	1,009	81,270	82,279	(6,592)	75,687
Equity settled share-based transactions	22,684	(4,860)	--	17,824	--	17,824
Dividends to shareholders	--	--	(29,566)	(29,566)	--	(29,566)
Total transactions with owners of the Group	22,684	(4,860)	(29,566)	(11,742)	--	(11,742)
Realisation of revaluation reserve	--	(1,182)	1,182	--	--	--
Transferred to retained earnings	--	77	(77)	--	--	--
At 31 January 2020	775,761	113,611	787,631	1,677,003	171,403	1,848,406

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Condensed consolidated statement of cash flows for the period ended 31 January 2021 - unaudited

	6 months ended 31 January	
	2021	2020
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	173,651	107,179
Adjustments for:		
Depreciation	49,439	46,505
Other non-cash items	9,134	(233)
Non-operating items	2,567	3,404
Operating profit before changes in working capital	234,791	156,855
Changes in working capital:		
Change in inventories	(57,026)	59,057
Change in contract assets	(8,766)	55,261
Change in trade and other receivables	(118,362)	32,877
Change in trade and other payables	142,738	(183,318)
Change in contract liabilities	9,556	1,268
Interest received	2,130	3,969
Tax paid	(30,141)	(17,864)
Net cash (used in)/from operating activities	174,920	108,105
Cash flows from investing activities		
Acquisition of property, plant and equipment	(121,236)	(71,041)
Proceeds from disposal of property, plant and equipment	2,146	2,073
Net proceeds on disposal of other investments	4,216	--
Changes in pledged deposits	15,143	3,377
Prepayments	3,584	713
Other investments	(203)	1,402
Dividend received from an associate	3,000	--
Net cash (used in)/from investing activities	(93,350)	(63,476)
Cash flows from financing activities		
Bank borrowings	35,741	(56,933)
Dividend paid to owners of the Company	(15,042)	(29,566)
Proceeds from issuance of shares	20,487	19,841
(Repayment)/Loan from a Director	(966)	12,301
Net cash (used in)/from financing activities	40,220	(54,357)
Exchange differences on translation of the financial statements of foreign operations	(19,811)	(5,807)
Net change in cash and cash equivalents	101,979	(15,535)
Cash and cash equivalents at beginning of period	361,208	329,640
Foreign exchange differences on opening balances	763	2,012
Cash and cash equivalents at end of period	463,950	316,117
Cash and cash equivalent comprise:		
Cash and bank balances	463,458	292,987
Deposit with licensed banks	492	27,723
Bank overdrafts	-	(4,593)
	463,950	316,117

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 January 2021 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 2020 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 30 March 2021.

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 2020.

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 2020.

3. Seasonal or cyclical factors

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

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 27.04 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 second interim dividend of 0.8 sen per ordinary share totalling RM15,042,132 in respect of the financial year ended 31 July 2020 on 30 October 2020.

8. Segment information

(a) Information about reportable segments

	6 months ended 31 January 2021			
	Malaysia RM'000	**Indonesia RM'000**	**China RM'000**	**Total RM'000**
External revenue	1,719,572	173,560	86,799	1,979,931
Segment profit/(loss) before tax	171,519	5,234	(6,128)	170,625

	6 months ended 31 January 2020			
	Malaysia RM'000	**Indonesia RM'000**	**China RM'000**	**Total RM'000**
External revenue	1,539,921	131,066	143,482	1,814,469
Inter-segment revenue	39,217	--	567	39,784
Segment profit/(loss) before tax	112,081	(450)	(6,549)	105,082

8. Segment information (Cont'd)

(b) Reconciliation of reportable segment profit or loss

	6 months ended 31 January 2021 RM'000	6 months ended 31 January 2020 RM'000
Total profit for reportable segments	170,625	105,082
Other non-reportable segments	2,336	(903)
Share of profit of associate not included in reportable segments	690	3,000
Consolidated profit before tax	173,651	107,179

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 January 2021.

12. Capital commitments

	31.01.2021 RM'000
Property, plant and equipment	
Contracted but not provided for	52,513

13. Related party transactions

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

	6 months ended 31 January	
	2021	**2020**
	RM'000	**RM'000**
Subsidiaries in which certain Directors have financial interest		
- Purchases	--	1,068
- Purchase of plant and equipment	930	--
A company which is wholly owned by close family member of certain Directors		
- Purchases	2,693	1,109
A company in which spouse of a Director has financial interest		
- Purchases	8,191	5,351
- Sales	1,055	1,038
A company which is controlled by close family member of a Director		
- Sub-contracting fee payable	505	1,447
A company which is controlled by a Director		
- Operating lease charges and management fee payable	451	1,449
A company which is controlled by close family member of a key management personnel		
- Repair and maintenance services payable	44	295
A company which is wholly owned by a Director		
- Rental receivable	150	--
Remuneration paid to staff who are close family member of certain Directors	776	790

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

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 RM999.3 million, an increase of RM179.0 million as compared to the previous year corresponding quarter. Profit before tax, meanwhile, grew by 95.9% or RM41.7 million to RM85.2 million over the same period.

For the six months period ended 31 January 2021, the Group recorded a revenue of RM1,986.4 million, an increase of RM131.5 million or 7.1% as compared to the corresponding period of the preceding year of RM1,854.9 million. Profit before tax stood at RM173.7 million, which was 62.0% or RM66.5 million higher over the same period.

The improved earnings for the current quarter and cumulative quarters were mainly attributable to higher sales orders from existing key customers coupled with favourable product sales mix in Malaysia.

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

	Individual Quarter 31 January		**Cumulative Quarter 31 January**	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Revenue				
Malaysia	846,181	660,055	1,719,572	1,539,921
Indonesia	105,164	60,846	173,560	131,066
China	44,626	69,944	86,799	143,482
Profit/(Loss) before tax				
Malaysia	79,478	47,401	171,519	112,081
Indonesia	4,726	(1,535)	5,234	(450)
China	(615)	(3,452)	(6,128)	(6,549)

Malaysia segment

For the current quarter and cumulative quarters, Malaysia segment posted a 28.2% and 11.7% increase in revenue respectively due to higher sales orders from key customers. Profit before tax, was up 67.7% and 53.0% respectively over the same period. It was attributable to earnings contribution from a more diversified clientele that led to an overall better product sales mix.

Indonesia segment

Indonesia segment recorded a profit before tax of RM4.7 million and RM5.2 million for the current quarter and cumulative quarters mainly due to higher sales order from a key customer in consumer electronics which experienced brisk demand following increase in work from home arrangement worldwide. Higher production utilization rate resulted in better economies of scale achieved during the current quarter.

14. Review of performance (Cont'd)

China segment

China segment registered lower revenue for the current quarter and cumulative quarters as operations remained under-utilised in the absence of large orders, given the highly challenging operating landscape in China. Operating loss, however, continue to narrow with lower operating expenses incurred following streamlining initiatives.

15. Variation of results against preceding quarter

	Current Quarter 31 January 2021 2020 RM'000	**Preceding Quarter 31 October 2020 RM'000**
Revenue	999,307	987,100
Profit before tax	85,241	88,410
Profit attributable to owners of the Company	63,794	66,677

For the current quarter under review, the Group recorded a lower profit before tax mainly attributable to variation in product sales mix.

16. Current year prospects

The current challenging operating environment is expected to prevail. Nevertheless, global trade activities are projected to pick up following the mass vaccination exercises that are progressing at various stages worldwide, including Malaysia. Against this backdrop, macroeconomies are projected to rebound and recover gradually over the next 12 months, along with improved consumer sentiments.

The Group continues to be kept busy fulfilling customers' orders which remained strong and are sustaining at healthy levels. There would also be several new product models coming into production progressively over the coming quarters. Based on existing order flow, the Group's present capacity is expected to be filled up by end of 2021. The Group's new facilities that are sitting on a total land area of approximately 413,682 square feet in i-Park @ Senai Airport City, Senai, Johor are on track to be completed in the next few months. Production of certain new models would take place at the new facilities thereafter, along with the relocation of VS' headquarter to the new buildings.

On balance, the Board is cognizant of the prevailing challenges. Nonetheless, against the backdrop of nascent economic recovery, coupled with prudent planning and careful execution by the management, the Board opines that the financial performance of the Group for the remaining quarters will be satisfactory.

17. Profit forecast

Not applicable.

18. Tax expense

	Individual 3 months ended 31 January		Cumulative 6 months ended 31 January	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax expense				
Current period	22,113	12,735	47,065	29,838
Deferred tax expense				
Current period	(450)	(493)	(862)	(327)
	21,663	12,242	46,203	29,511

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 subsidiaries, 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 except for the proposed bonus issue of shares and proposed bonus issue of warrants which was announced on 25 February 2021.

20. Borrowing and debt securities

	31.01.2021	**31.07.2020**
	RM'000	**RM'000**
Non-current		
Secured		
Term loans	-	1,952
Hire purchase liabilities	3,335	4,566
Unsecured		
Term loans	64,106	21,479
	67,441	27,997

20. Borrowing and debt securities (Cont'd)

	31.01.2021 RM'000	31.07.2020 RM'000
Current		
Secured		
Term loan	-	189
Trust receipts	14,552	30,903
Bank overdraft	-	6,205
Short term loan	23,291	40,770
Hire purchase liabilities	5,390	8,630
Unsecured		
Term loans	18,100	31,548
Bankers' acceptance	63,298	16,403
Trust receipts	81,209	77,861
Short term loan	13,666	11,518
	219,506	224,027
	286,947	252,024

Borrowings denominated in US Dollar amounted to RM88.0 million (31.7.2020 : RM90.0 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.

22. Profit for the period

	3 months ended 31 January		6 months ended 31 January	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the period is arrived at after charging/(crediting)				
Depreciation	24,587	23,061	49,439	46,505
Net foreign exchange (gain)/loss	1,710	(4,738)	2,177	(2,725)
Loss/(Gain) on disposal of property, plant and equipment	1,718	(164)	1,781	(322)

23. Dividends

(a) A second interim dividend of 1.2 sen per ordinary share was declared on 30 March 2021 for the financial year ending 31 July 2021 and will be paid on 30 April 2021 to shareholders whose names appear on the Company's Record of Depositors on 15 April 2021.

(b) The total dividend per share for the current financial year is 2.4 sen (previous year corresponding period: 1.0 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 RM63.8 million and RM130.5 million respectively and the weighted average number of ordinary shares of 1,881.114 million and 1,877.252 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 RM63.8 million and RM130.5 million respectively and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 1,927.072 million and 1,921.152 million respectively.