

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

Interim Financial Report
30 April 2021

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

Condensed consolidated statement of financial position As at 30 April 2021 – unaudited

	30.04.2021 RM'000	31.07.2020 RM'000
Assets		
Property, plant and equipment	981,435	846,875
Right-of-use assets	102,119	98,575
Investment properties	6,500	6,500
Investment in associates	62,752	67,754
Other investments	252,745	78,017
Prepayments	--	3,813
Deferred tax assets	4,914	5,059
Total non-current assets	1,410,465	1,106,593
Inventories	407,034	331,800
Contract assets	188,425	103,648
Trade and other receivables	1,088,550	884,372
Current tax asset	2,936	2,334
Cash and cash equivalents	431,194	404,512
Total current assets	2,118,139	1,726,666
Total assets	3,528,604	2,833,259
Equity		
Share capital	815,958	782,947
Reserves	1,218,019	926,069
Equity attributable to owners of the Company	2,033,977	1,709,016
Non-controlling interests	171,227	167,587
Total equity	2,205,204	1,876,603
Liabilities		
Loans and borrowings	67,644	27,997
Loan from a Director	22,846	23,614
Deferred tax liabilities	102,492	65,718
Total non-current liabilities	192,982	117,329
Loans and borrowings	310,883	224,027
Trade and other payables	759,122	575,972
Contract liabilities	16,214	7,553
Due to Directors	2,384	2,384
Current tax liabilities	41,815	29,391
Total current liabilities	1,130,418	839,327
Total liabilities	1,323,400	956,656
Total equity and liabilities	3,528,604	2,833,259
Net assets per share	1.08	0.92

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

Condensed consolidated statement of comprehensive income for the period ended 30 April 2021 - unaudited

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	1,074,778	505,655	3,061,185	2,360,579
Cost of sales	(922,061)	(495,071)	(2,648,269)	(2,170,281)
Gross profit	152,717	10,584	412,916	190,298
Operating expenses	(50,342)	(32,197)	(131,922)	(107,537)
Net other income/(expenses)	1,287	(3,417)	(616)	3,000
Results from operating activities	103,662	(25,030)	280,378	85,761
Finance costs	(2,277)	(4,031)	(8,162)	(14,612)
Interest income	923	1,657	3,053	5,626
Share of profit/(loss) of associates, net of tax	(2,692)	529	(2,002)	3,529
Profit/(Loss) before tax	99,616	(26,875)	273,267	80,304
Tax expense	(27,195)	5,678	(73,398)	(23,833)
Profit/(Loss) for the period	72,421	(21,197)	199,869	56,471
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	9,585	39,310	(4,290)	30,513
Net change in fair value of equity investment designated at fair value through other comprehensive income	(1,160)	(46,760)	172,176	(39,944)
Disposal of equity investment designated at fair value through other comprehensive income	--	--	2,885	--
Total comprehensive income for the period	80,846	(28,647)	370,640	47,040
Profit attributable to:				
Owners of the Company	73,383	(19,526)	203,854	61,744
Non-controlling interests	(962)	(1,671)	(3,985)	(5,273)
Profit for the period	72,421	(21,197)	199,869	56,471

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

Condensed consolidated statement of comprehensive income for the period ended 30 April 2021 – unaudited (Cont'd)

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Total comprehensive income attributable to:				
Owners of the Company	80,119	(32,927)	367,000	49,352
Non-controlling interests	727	4,280	3,640	(2,312)
Total comprehensive income for the period	<u>80,846</u>	<u>(28,647)</u>	<u>370,640</u>	<u>47,040</u>
Basic earnings per ordinary share (sen)	<u>3.90</u>	<u>(1.05)</u>	<u>10.85</u>	<u>3.34</u>
Diluted earnings per ordinary share (sen)	<u>3.80</u>	<u>(1.05)</u>	<u>10.60</u>	<u>3.34</u>

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

Condensed consolidated statement of changes in equity for the period ended 30 April 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	--	(11,915)	--	(11,915)	7,625	(4,290)
Net change in fair value of equity investment designated at FVOCI	--	172,176	--	172,176	--	172,176
Disposal of equity investment designated at FVOCI	--	--	2,885	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	--	--	--
At 30 April 2021	815,958	279,488	938,531	2,033,977	171,227	2,205,204

	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	--	27,552	--	27,552	2,961	30,513
Net change in fair value of equity investment designated at FVOCI	--	(39,944)	--	(39,944)	--	(39,944)
Profit for the period	--	--	61,744	61,744	(5,273)	56,471
Total comprehensive income for the period	--	(12,392)	61,744	49,352	(2,312)	47,040
Equity settled share-based transactions	24,595	(5,936)	--	18,659	--	18,659
Dividends to shareholders	--	--	(48,097)	(48,097)	--	(48,097)
Total transactions with owners of the Group	24,595	(5,936)	(48,097)	(29,438)	--	(29,438)
Realisation of revaluation reserve	--	(1,336)	1,336	--	--	--
Transferred to retained earnings	--	77	(77)	--	--	--
At 30 April 2020	777,672	98,980	749,728	1,626,380	175,683	1,802,063

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

Condensed consolidated statement of cash flows for the period ended 30 April 2021 - unaudited

	9 months ended 30 April	
	2021 RM'000	2020 RM'000
Cash flows from operating activities		
Profit before tax	273,267	80,304
Adjustments for:		
Depreciation	75,794	70,397
Other non-cash items	12,404	(1,081)
Non-operating items	6,683	5,051
Operating profit before changes in working capital	368,148	154,671
Changes in working capital:		
Change in inventories	(75,234)	25,876
Change in contract assets	(84,777)	44,839
Change in trade and other receivables	(204,178)	354,540
Change in trade and other payables	178,407	(261,178)
Change in contract liabilities	8,661	1,452
Interest received	3,053	5,626
Tax paid	(59,505)	(45,587)
Net cash (used in)/from operating activities	134,575	280,239
Cash flows from investing activities		
Acquisition of property, plant and equipment	(208,483)	(83,671)
Proceeds from disposal of property, plant and equipment	4,935	7,003
Net proceeds on disposal of other investments	4,216	--
Changes in pledged deposits	14,926	1,960
Prepayments	3,813	602
Other investments	(5,824)	(4,220)
Dividend received from an associate	3,000	--
Net cash (used in)/from investing activities	(183,417)	(78,326)
Cash flows from financing activities		
Bank borrowings	159,822	(160,879)
Dividend paid to owners of the Company	(75,264)	(48,097)
Proceeds from issuance of shares	22,913	21,752
(Repayment)/Loan from a Director	(768)	13,689
Net cash (used in)/from financing activities	106,703	(173,535)
Exchange differences on translation of the financial statements of foreign operations	(11,915)	27,552
Net change in cash and cash equivalents	45,946	55,930
Cash and cash equivalents at beginning of period	361,208	329,640
Foreign exchange differences on opening balances	1,867	4,456
Cash and cash equivalents at end of period	409,021	390,026
Cash and cash equivalent comprise:		
Cash and cash equivalent in the statements of financial position	431,194	434,787
Less: Pledged deposits	(22,173)	(37,989)
Bank overdrafts	--	(6,772)
	409,021	390,026

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

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 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 15 June 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.

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

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 28.4 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) 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;
- (b) a final dividend of 0.8 sen per ordinary share totalling RM15,050,801 in respect of the financial year ended 31 July 2020 on 5 February 2021;
- (c) a first interim dividend of 1.2 sen per ordinary share totalling RM22,582,160 in respect of the financial year ending 31 July 2021 on 5 March 2021; and
- (d) a second interim dividend of 1.2 sen per ordinary share totalling RM22,588,919 in respect of the financial year ending 31 July 2021 on 30 April 2021.

8. Segment information

- (a) Information about reportable segments

	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

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

8. Segment information (Cont'd)

	9 months ended 30 April 2020			
	Malaysia RM'000	Indonesia RM'000	China RM'000	Total RM'000
External revenue	1,901,037	187,284	208,711	2,297,032
Inter-segment revenue	57,458	--	567	58,025
Segment profit/(loss) before tax	92,378	(4,934)	(9,619)	77,825

(b) Reconciliation of reportable segment profit or loss

	9 months ended 30 April	
	2021 RM'000	2020 RM'000
Total profit for reportable segments	271,519	77,825
Other non-reportable segments	3,750	(1,050)
Share of profit of associate not included in reportable segments	(2,002)	3,529
Consolidated profit before tax	273,267	80,304

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 except for the bonus issue on the basis of one (1) bonus share for every one (1) existing share held on 18 May 2021.

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 2021.

12. Capital commitments

	30.04.2021 RM'000
Property, plant and equipment Contracted but not provided for	17,683

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

13. Related party transactions

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

	9 months ended 30 April	
	2021 RM'000	2020 RM'000
Subsidiaries in which certain Directors have financial interest		
- Purchases	22	1,077
- Purchase of plant and equipment	930	--
A company which is wholly owned by close family member of certain Directors		
- Purchases	4,684	1,302
A company in which spouse of a Director has financial interest		
- Purchases	10,788	6,808
- Sales	1,638	1,407
Associate		
- Sales	21	230
A company which is controlled by close family member of a Director		
- Sub-contracting fee payable	924	2,364
A company which is controlled by a Director		
- Operating lease charges and management fee payable	681	2,194
A company which is controlled by close family member of a key management personnel		
- Repair and maintenance services payable	64	341
A company which is wholly owned by a Director		
- Rental receivable	225	--
Remuneration paid to staff who are close family member of certain Directors	1,115	1,087

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

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

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 RM1,074.8 million, an increase of RM569.1 million as compared to the previous year corresponding quarter, largely due to higher sales orders from existing key customers, notwithstanding with the fact that sales generated from Malaysia in the previous corresponding period were significantly affected by the implementation of Movement Control Order (“MCO”). In tandem with the surge in revenue, the Group registered a record high profit before tax of RM99.6 million for the current quarter as compared to a loss of RM26.9 million over the same period last year.

For the nine months period ended 30 April 2021, the Group posted a revenue of RM3,061.2 million, an increase of RM700.6 million or 29.7% as compared to the corresponding period of the preceding year of RM2,360.6 million. Profit before tax grew by more than threefold to RM273.3 million or RM193.0 million higher over the same period in preceding year, which also a record high cumulative nine-month results for the Group.

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

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

	Individual Quarter		Cumulative Quarter	
	31 January		31 January	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Revenue				
Malaysia	939,120	361,116	2,658,692	1,901,037
Indonesia	95,170	56,218	268,730	187,284
China	37,038	65,229	123,837	208,711
Profit/(Loss) before tax				
Malaysia	99,715	(19,703)	271,234	92,378
Indonesia	2,929	(4,484)	8,163	(4,934)
China	(1,750)	(3,070)	(7,878)	(9,619)

Malaysia segment

For the current quarter and cumulative quarters, Malaysia segment posted significant increase in revenue mainly due to higher sales orders from key customers, notwithstanding the fact that sales in the previous corresponding quarter were drastically affected by the implementation of MCO. The surge in sales, in addition to higher profit margin arising from favourable product mix has led to record third quarter and nine-month profit before tax of RM99.7 million and RM271.2 million respectively for Malaysia.

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

14. Review of performance (Cont'd)

Indonesia segment

Indonesia segment recorded a profit before tax of RM2.9 million and RM8.2 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.

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 expenses incurred following a series of streamlining initiatives.

15. Variation of results against preceding quarter

	Current Quarter 30 April 2021 RM'000	Preceding Quarter 31 January 2021 RM'000
Revenue	1,074,778	999,307
Profit before tax	99,616	85,241
Profit attributable to owners of the Company	73,383	63,794

For the current quarter under review, the Group recorded higher profit before tax mainly attributable to earnings contribution from a more diversified clientele that led to an overall better product sales mix.

16. Current year prospects

The current challenging operating environment caused by Covid-19 pandemic, supply chain disruption, among others, is expected to prevail over the next twelve months. On a brighter note, global trade activities are projected to pick up following mass vaccination exercises that are progressing at various stages worldwide. Against this backdrop, global economies are projected by the World Trade Organization to rebound and recover gradually over the next 12 months.

Back in Malaysia, however, situation remained uncertain with rising Covid-19 cases that resulted in Government announcing Full Movement Control Order effective 1 June 2021. This may likely have some impact on the Group's performance in the fourth quarter.

On the demand outlook, orders across key customers remained healthy and robust. There are also several new product models coming into production progressively over the coming quarters. Management is optimizing the production output while complying with the standard operating procedures stipulated by the authorities.

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

16. Current year prospects (Cont'd)

The Group's new facilities that sit 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. The leadership is fully hands-on managing the situation to deliver optimal outcome for clients while keeping employees safe. With prudent planning and careful execution by the management, the Board opines that the financial performance of the Group for the remaining quarter will be satisfactory.

17. Profit forecast

Not applicable.

18. Tax expense

	Individual 3 months ended 30 April		Cumulative 9 months ended 30 April	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Tax expense				
Current period	27,321	(5,224)	74,386	24,614
Deferred tax expense				
Current period	(126)	(454)	(988)	(781)
	<u>27,195</u>	<u>(5,678)</u>	<u>73,398</u>	<u>23,833</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 the 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 except for the bonus issue of warrants on the basis of one (1) free warrant for every five (5) existing shares held as announced on 25 February 2021.

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

20. Borrowing and debt securities

	30.04.2021 RM'000	31.07.2020 RM'000
Non-current		
<i>Secured</i>		
Term loans	--	1,952
Hire purchase liabilities	2,673	4,566
<i>Unsecured</i>		
Term loans	99,819	21,479
	<u>102,492</u>	<u>27,997</u>
Current		
<i>Secured</i>		
Term loan	--	189
Trust receipts	20,728	30,903
Bank overdraft	--	6,205
Short term loan	24,046	40,770
Hire purchase liabilities	3,843	8,630
<i>Unsecured</i>		
Term loans	17,256	31,548
Bankers' acceptance	91,478	16,403
Trust receipts	139,609	77,861
Short term loan	13,923	11,518
	<u>310,883</u>	<u>224,027</u>
	<u>413,375</u>	<u>252,024</u>

Borrowings denominated in US Dollar amounted to RM122.1 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.

V.S. Industry Berhad

(Registration No. 198201008437 (88160-P))

(Incorporated in Malaysia)

22. Profit for the period

	6 months ended		9 months ended	
	30 April		30 April	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging/(crediting)				
Depreciation	26,355	24,967	75,794	70,397
Net foreign exchange (gain)/loss	(178)	5,209	1,999	2,484
Loss/(Gain) on disposal of property, plant and equipment	(449)	(843)	1,332	(1,165)

23. Dividends

- (a) A third interim dividend of 0.8 sen per ordinary share was declared on 15 June 2021 for the financial year ending 31 July 2021 and will be paid on 30 July 2021 to shareholders whose names appear on the Company's Record of Depositors on 12 July 2021.
- (b) The total dividend per share for the current financial year is 3.2 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 RM73.4 million and RM203.9 million respectively and the weighted average number of ordinary shares of 1,882.403 million and 1,878.969 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 RM73.4 million and RM203.9 million respectively and the weighted average number of ordinary shares, adjusted for the dilutive effects of potential ordinary shares of 1,929.203 million and 1,922.927 million respectively.