

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	Note	As At 31/12/2018 RM'000	As At 31/12/2017 RM'000 Restated
<b>ASSETS</b>			
Plant and equipment		2,418	2,819
Investment properties	18a	9,440	-
Intangible asset		571	571
Investment in a joint venture		13,410	12,834
Investment in club membership		62	62
Deferred tax assets		1,249	808
<b>Total non-current assets</b>		27,150	17,094
Inventories		132,748	122,980
Receivables, deposits and prepayments	28	265,123	278,725
Cash and cash equivalents		54,541	50,526
<b>Total current assets</b>		452,412	452,231
<b>TOTAL ASSETS</b>		479,562	469,325
<b>EQUITY</b>			
Share capital		90,000	90,000
Reserves		198,120	182,492
<b>Total equity attributable to owners of the Company</b>		288,120	272,492
<b>LIABILITIES</b>			
Payables and accruals	28	190,111	195,730
Tax payable		1,331	1,103
<b>Total current liabilities</b>		191,442	196,833
<b>Total liabilities</b>		191,442	196,833
<b>TOTAL EQUITY AND LIABILITIES</b>		479,562	469,325
Net assets per share attributable to owners of the Company (RM)		1.60	1.51

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018**

	Note	Individual Quarter Three Months Ended		Cumulative Quarter Twelve Months Ended	
		31/12/2018 RM'000	31/12/2017 RM'000 Restated	31/12/2018 RM'000	31/12/2017 RM'000 Restated
<b>Revenue</b>	28	446,104	497,195	1,632,323	1,838,259
Cost of sales	28	(421,578)	(470,793)	(1,545,538)	(1,750,789)
<b>Gross profit</b>		<u>24,526</u>	<u>26,402</u>	<u>86,785</u>	<u>87,470</u>
Distribution expenses		(9,031)	(7,206)	(35,683)	(34,276)
Administrative expenses		(5,357)	(6,168)	(20,771)	(21,705)
Other income/(expenses)	17	151	992	(135)	1,354
<b>Results from operating activities</b>	17	<u>10,289</u>	<u>14,020</u>	<u>30,196</u>	<u>32,843</u>
Finance income		561	517	1,928	2,136
Finance costs		(1)	-	(1)	-
Net finance income		<u>560</u>	<u>517</u>	<u>1,927</u>	<u>2,136</u>
Share of profit of equity-accounted joint venture, net of tax		174	638	676	664
<b>Profit before tax</b>		<u>11,023</u>	<u>15,175</u>	<u>32,799</u>	<u>35,643</u>
Tax expense	21	(2,716)	(3,625)	(8,171)	(9,375)
<b>Profit for the period / Total comprehensive income for the period</b>		<u>8,307</u>	<u>11,550</u>	<u>24,628</u>	<u>26,268</u>
<b>Profit for the period / Total comprehensive income for the period attributable to:</b>					
Owners of the Company		8,307	11,550	24,628	26,268
Non-controlling interest		-	-	-	-
		<u>8,307</u>	<u>11,550</u>	<u>24,628</u>	<u>26,268</u>
<b>Earnings per share attributable to owners of the Company:</b>					
Basic (sen)	26	4.6	6.4	13.7	14.6
Diluted (sen)		N/A	N/A	N/A	N/A

Notes:

N/A Not applicable

*The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<- Attributable to owners of the Company - >				
	Share Capital RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
Note					
At 1 January 2017	90,000	166,124	256,124	-	256,124
Profit for the period / Total comprehensive income for the period	-	26,268	26,268	-	26,268
Dividend	-	(9,900)	(9,900)	-	(9,900)
At 31 December 2017	<u>90,000</u>	<u>182,492</u>	<u>272,492</u>	<u>-</u>	<u>272,492</u>
At 1 January 2018	90,000	182,492	272,492	-	272,492
Profit for the period / Total comprehensive income for the period	-	24,628	24,628	-	24,628
Dividend	7	(9,000)	(9,000)	-	(9,000)
At 31 December 2018	<u>90,000</u>	<u>198,120</u>	<u>288,120</u>	<u>-</u>	<u>288,120</u>

*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Twelve Months Ended</b>	
	<b>31/12/2018</b>	<b>31/12/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	32,799	35,643
<i>Adjustments for:</i>		
Non-cash items	1,769	628
Non-operating items	(2,603)	(2,800)
Operating profit before changes in working capital	<u>31,965</u>	<u>33,471</u>
Change in inventories	(9,768)	(9,533)
Change in receivables, deposits and prepayment	9,639	(10,953)
Change in payables and accruals	(6,153)	(41,980)
Cash generated from/(used in) operations	<u>25,683</u>	<u>(28,995)</u>
Tax paid	(8,384)	(9,413)
Net cash generated from/(used in) operating activities	<u>17,299</u>	<u>(38,408)</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of a joint venture company	-	(12,170)
Acquisition of investment properties	(5,263)	-
Dividend received from a joint venture	100	-
Purchase of plant and equipment	(880)	(1,016)
Proceeds from disposal of plant and equipment	47	137
Net cash used in investing activities	<u>(5,996)</u>	<u>(13,049)</u>
<b>Cash Flows from Financing Activities</b>		
Interest received	1,713	1,668
Interest paid	(1)	-
Dividend paid	(9,000)	(9,900)
Net cash used in financing activities	<u>(7,288)</u>	<u>(8,232)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	4,015	(59,689)
Cash and cash equivalents at beginning of period	<u>50,526</u>	<u>110,215</u>
<b>Cash and cash equivalents at end of period</b>	<u>54,541</u>	<u>50,526</u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	<u>54,541</u>	<u>50,526</u>

*The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.*

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018**

**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**1. Basis of preparation**

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 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 financial year ended 31 December 2017.

The consolidated financial statements of the Group as at and for the financial year ended 31 December 2017 are available upon request from the Company's registered office at: Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan.

**2. Significant accounting policies**

The accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with the audited financial statements for the financial year ended 31 December 2017, except with the adoption of the following Malaysian Financial Reporting Standards ("MFRS"), Clarification on MFRS, Issues Committee ("IC") Interpretations and Amendments to MFRS for financial period beginning on or after 1 January 2018:

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)\**
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions \**
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts\**
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

The accounting standards marked with [\*] are not applicable to the Group.

With the adoption of MFRS 15, *Revenue from Contracts with Customers*, the Group's revenue and cost of sales are adjusted accordingly with no material impact to profit for the year.

The adoption of the other standards and amendments are not expected to have material financial impacts to the financial statements of the Group.

**3. Seasonal or cyclical factors**

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

**4. Unusual items**

There were no significant unusual items affecting assets, liabilities, equity, net income, or cash flows during the current financial quarter.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018**

**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**5. Material changes in estimates**

There was no estimation made for the current financial quarter results.

**6. Debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and the financial year-to-date.

**7. Dividends paid**

A single tier final dividend of 2.5 sen per share, totalling RM4,500,000 in respect of the financial year ended 31 December 2017 was paid on 13 June 2018.

A single tier interim dividend of 2.5 sen per share totalling RM4,500,000 in respect of the financial year ended 31 December 2018 was paid on 19 December 2018.

**8. Segmental reporting**

Segment information is presented in respect of the Group's business segments.

The Group business segments comprise the following:

- (i) ICT Distribution      Distribution of volume ICT products to resellers, comprising mainly retailers
- (ii) Enterprise Systems      Distribution of value ICT products to resellers, comprising mainly system integrators and corporate dealers
- (iii) ICT Services      Provision of ICT services

Other non-reportable segments comprise management services and investment holding.

**(a) Information about reportable segments**

	<b>ICT Distribution RM'000</b>	<b>Enterprise Systems RM'000</b>	<b>ICT Services RM'000</b>	<b>Total RM'000</b>
<b><u>12 months financial period ended 31 December 2018</u></b>				
External revenue	1,137,373	455,092	39,858	1,632,323
Inter-segment revenue	16,161	1,316	5,280	22,757
Total revenue	<u>1,153,534</u>	<u>456,408</u>	<u>45,138</u>	<u>1,655,080</u>
Reportable segment profit before tax	<u>16,531</u>	<u>13,829</u>	<u>783</u>	<u>31,143</u>
<b><u>12 months financial period ended 31 December 2017</u></b>				
External revenue	1,419,911	382,503	35,845	1,838,259
Inter-segment revenue	39,461	2,225	3,417	45,103
Total revenue	<u>1,459,372</u>	<u>384,728</u>	<u>39,262</u>	<u>1,883,362</u>
Reportable segment profit before tax	<u>22,420</u>	<u>10,276</u>	<u>718</u>	<u>33,414</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018

**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING**

8. Segmental reporting (continued)

(b) Reconciliation of reportable segment profit and loss:

	Current Year To- date 31/12/2018 RM'000	Preceding Year Corresponding Period 31/12/2017 RM'000
Total profit for reportable segments before tax	31,143	33,414
Other non-reportable segments profit	10,858	11,524
Eliminate of inter-segments profit and loss	(9,202)	(9,295)
Consolidated profit before tax	<u>32,799</u>	<u>35,643</u>

(c) Disaggregation of the Group's revenue

	Current Year to date 31/12/2018 RM'000	Preceding Year to date 31/12/2017 RM'000
<b>ICT Distribution</b>		
Desktop PC, notebooks, mobility devices and peripherals	1,137,373	1,419,911
<b>Enterprise Systems</b>		
Server, storage, software and networking products	455,092	382,503
<b>ICT Services</b>		
Services and maintenance	39,858	35,845
Consolidated total	<u>1,632,323</u>	<u>1,838,259</u>

(d) Segment assets

	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000
ICT Distribution	329,931	346,453
Enterprise Systems	142,365	122,866
ICT Services	3,432	7,086
Total reportable segment assets	<u>475,728</u>	<u>476,405</u>
<u>Reconciliation of reportable segment:</u>		
Total reportable segment assets	475,728	476,405
Other non-reportable segments assets	127,459	126,450
Elimination of inter-segment balances	(123,625)	(133,530)
Consolidated total	<u>479,562</u>	<u>469,325</u>

There were no major changes in segment assets during the period.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018**

**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**8. Segmental reporting (continued)**

**(e) Segment liabilities**

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Chief Executive Office. Hence, no disclosure is made on segment liabilities.

**9. Material events subsequent to the end of the financial period**

There were no material events subsequent to the end of the financial period under review that have not been reflected in the quarterly financial statements.

**10. Changes in the composition of the Group**

There were no changes in the composition of the Group.

**11. Contingent liabilities and contingent assets**

**(a) Contingent liabilities**

	As At 31/12/2018 RM'000	As At 31/12/2017 RM'000
Guarantees to suppliers and licensed banks for trade credit facilities granted by holding company to Group entities	144,935	146,850

**(b) Contingent assets**

There were no contingent assets as at the end of the current financial period.

**12. Capital commitments**

The capital expenditure contracted but not provided for as at the end of the current financial period amounted to RM372,000.



**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018**

**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**13. Capital expenditure**

The major additions and disposals to plant and equipment during the current quarter and financial year-to-date were as follows:

	<b>Current Year Quarter 31/12/2018 RM'000</b>	<b>Current Year To-date 31/12/2018 RM'000</b>
Addition to investment properties	-	5,262
Addition to plant and equipment	158	880

**14. Related party transactions**

Related parties are those defined under MFRS 124 *Related Party Disclosures*. The Directors are of the opinion that the related party transactions and balances described below were carried out in the ordinary course of business and had been established on negotiated terms.

	<b>Current Year To- date 31/12/2018 RM'000</b>	<b>Balance Due From/(To) As at 31/12/2018 RM'000</b>
Transactions with affiliated companies:		
Purchases	(3,639)	(183)
Transactions with a company in which a Director has interests:		
Rental expenses	(1,974)	-
Administrative and accounting charges	10	2
Transactions with a company in which a Director has common directorship :		
Sales	94	10

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018

**PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

15. Review of performance

	Individual Quarter			Cumulative Quarter		
	Current Year	Preceding Year	Changes	Current Year	Preceding Year	Changes
	Quarter	Corresponding Quarter	%	To-date	Corresponding Period	%
	31/12/2018	31/12/2017		31/12/2018	31/12/2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	446,104	497,195	(10.3)	1,632,323	1,838,259	(11.2)
Gross profit	24,526	26,402	(7.1)	86,785	87,470	(0.8)
GP margin %	5.5%	5.3%		5.3%	4.8%	
Profit before tax	11,023	15,175	(27.4)	32,799	35,643	(8.0)
Profit for the period	8,307	11,550	(28.1)	24,628	26,268	(6.2)

**Q4 2018 compared with Q4 2017**

For Q4 2018, the reintroduction of the Sales & Services Tax (SST) in September 2018 has reduced consumer spending on ICT products. The revenue decreased by 10.3% from the corresponding quarter in 2017 mainly due to the slow down of ICT Distribution segment. With the drop in revenue and GP, coupled with the lower year end provisions write back compared to previous year, the PBT recorded was 27.4% lower than Q4 2017.

**Quarterly Segmental Result**

The performance of the three business segments for Q4 FY2018 compared with Q4 FY2017 were as follows:

a) ICT Distribution

Revenue decreased by 17.5% with lower sales across major products in ICT Distribution segment. With lower sales and GP, the PBT decreased by 41.4% to RM5.6 million compared with RM9.5 million last year.

b) Enterprise Systems

Revenue increased by 9.0% with higher sales mainly from networking and software. With higher sales and better GP margin, the PBT increased by 9.9% to RM5.0 million compared with RM4.5 million last year.

c) ICT Services

Revenue increased by RM269,000. However, with lower GP margin, the PBT decreased to RM278,000 compared with RM298,000 last year.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018**

**PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

**15. Review of performance (continue)**

**12 months ended 31 December 2018 compared with 31 December 2017**

In 2018, the market uncertainties as a result of the 14th General Election in May 2018, followed by the change in Federal Government and the replacement of GST with SST, have impacted the demand for ICT products from consumer spending and the ICT expenditure from private as well as public sectors.

The Group recorded revenue of RM1,632.3 million, a decrease of 11.2% compared with RM1,838.3 million from previous year due to lower contribution from ICT Distribution segment.

However, GP decreased slightly by 0.8% compared with previous year from RM87.5 million to RM86.8 million due to higher contribution from Enterprise Systems segment and better product mix.

Profit before tax (PBT) decreased by 8.0% to RM32.8 million compared with RM35.6 million from previous year mainly due to the decrease of revenue and forex loss of RM0.2 million versus forex gain of RM1.2 million last year.

**Year-to-date Segmental Result**

The performance of the three business segments for 12 months period ended 31 December 2018 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue decreased by 19.9% with lower sales across major products in ICT Distribution segment. With lower sales and GP, the PBT decreased by 26.3% to RM16.5 million compared with RM22.4 million last year.

b) Enterprise Systems

Revenue increased by 19.0% with higher sales across all major products in Enterprise Systems. With higher sales and GP, PBT increased by 34.6% to RM13.8 million compared with RM10.3 million last year.

c) ICT Services

Revenue increased by RM4.0 million mainly due to higher revenue of Enterprise Systems. With higher sales and GP, the PBT increased to RM783,000 compared with RM718,000 last year.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018

**PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

**16. Financial review of current quarter compared with immediate preceding quarter**

	<b>Current Quarter 31/12/2018 RM'000</b>	<b>Immediate Preceding Quarter 30/09/2018 RM'000</b>	<b>Changes %</b>
Revenue	446,104	436,211	2.3
Gross Profit	24,526	24,111	1.7
<i>GP margin %</i>	5.5%	5.5%	
Profit before tax	11,023	10,218	7.9
Profit for the period	8,307	7,666	8.4

The Group's revenue in current quarter increased by 2.3% to RM446.1 million compared with RM436.2 million in preceding quarter mainly due to higher sales from Enterprise System. With higher sales, PBT increased by 7.9% to RM11.0 million from RM10.2 million compared with preceding quarter.

**17. Results from operating activities are arrived at after (charging)/crediting:**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter 31/12/2018 RM'000</b>	<b>Preceding Year Corresponding Quarter 31/12/2017 RM'000</b>	<b>Current Year To-date 31/12/2018 RM'000</b>	<b>Preceding Year Corresponding Period 31/12/2017 RM'000</b>
Depreciation	(314)	(331)	(1,276)	(1,323)
Reversal of/(Impairment loss) on trade receivables	68	130	(664)	230
(Reversal of)/write down of inventories	(782)	341	(442)	(148)
<b>Other Income/(Expenses):</b>				
Bad debts recovered	9	1	17	11
Foreign exchange (loss)/gain - Realised	(131)	234	329	641
Foreign exchange gain/(loss) - Unrealised	1,657	1,744	(1,793)	5,027
Fair value (loss)/gain on financial instruments	(1,386)	(994)	1,259	(4,436)
Gain on fixed assets disposal	-	1	42	104
Others	2	6	11	7
	<b>151</b>	<b>992</b>	<b>(135)</b>	<b>1,354</b>

The Group is exposed to foreign currency risk on purchases that are mainly denominated in US Dollar ("USD"). However, the Group hedges most of these exposures by purchasing forward currency contracts in USD for payments on due dates.

There was no gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets and exceptional items.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018**

**PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

**18. Commentaries and disclosure of other information**

**(a) Investment Property**

The Group acquired two units of industrial buildings from a debtor to settle an outstanding account of RM4.9 million. The acquisition was completed on 27 February 2018 in full settlement of the outstanding debt. This acquisition with debt settlement was made in the best interest of the Group to mitigate the potential risk of default by the debtor.

**(b) Other major changes in financial position and cash flow**

There are no major changes in the financial position and cash flow compared with financial year ended 31 December 2017.

**(c) Trade receivable**

Trade receivables have a credit term ranging from 14 to 60 days. Aging analysis of trade receivables as at 31 December 2018 were as follows:

	<b>Gross RM'000</b>	<b>Impairment RM'000</b>	<b>Net RM'000</b>
Not past due	148,487	-	148,487
Past due 1 - 30 days	70,215	-	70,215
Past due 31 - 60 days	24,481	-	24,481
Past due 61 - 90 days	5,805	-	5,805
Past due 91 - 180 days	2,188	(371)	1,817
Past due more than 181 days	661	(311)	350
	<b>251,837</b>	<b>(682)</b>	<b>251,155</b>

Impairment is not carried out on the past due trade receivables less than 90 days based on the historical collection trends as these balances are believed to be recoverable. Impairment on the trade receivables above 90 days is assessed based on the likelihood of default.

**19. Prospects**

In view of the economic outlook for Malaysia remains challenging in 2019, we expect the demand of ICT products from consumer and enterprise customers to be cautious in the first half of the year.

For 2019, International Data Corporation forecasted 5% growth on the products and services that the Group is providing.

We plan to increase our market share on smartphone, notebook and accessories while we continue to explore more new consumer products and opportunities on the Internet of Things. On the Enterprise Systems, we shall continue to focus and invest in more technical resources for cloud datacentre, networking infrastructure and cyber-security products and services.

With these strategies in place, we are optimistic on the FY 2019 outlook.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018**

**PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

**20. Profit forecast or profit guarantee**

Not applicable as the Group did not publish any profit forecast or profit guarantee.

**21. Tax expense**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	31/12/2018	31/12/2017	To-date	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Current year	2,673	2,919	8,775	8,561
(Over)/Under provision prior year	-	1	(163)	237
	<u>2,673</u>	<u>2,920</u>	<u>8,612</u>	<u>8,798</u>
Deferred tax	43	705	(441)	577
	<u>2,716</u>	<u>3,625</u>	<u>8,171</u>	<u>9,375</u>
Effective tax rate	24.6%	23.9%	24.9%	26.3%

The effective tax rate for current quarter and current year were higher than the Malaysian tax rate of 24% due to certain expenses which were not deductible for tax purposes.

**22. Corporate proposals**

(a) On 8 November 2018, the shareholders at the extraordinary General Meeting approved following proposals:

- (i) Change of Company's name from ECS ICT Berhad to VSTECS Berhad;
- (ii) Shareholders' Mandate to allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations; and
- (iii) Share buy-back on its own ordinary shares of up to 10% of the total number of issued shares.

(b) On 21 November 2018, the Company entered into a Term Sheet with I.S.A. Technologies Sdn Bhd ("ISAT") and Mr. Lim Fun Jin, Ms Alice Yuen Mei Foong, Mr. Yong Keong Tuck and Mr. Tan Wai Ho (collectively known as "Vendors") in respect of the Proposed Investment in ISAT and its wholly-owned subsidiary company, I.S.A. Innovation Sdn Bhd (ISAI) for the following transactions (the "Proposed Investment"):

- (i) To acquire 150,000 ordinary shares in ISAT, representing 30% of the total issued share capital of ISAT from the vendors (the "Proposed Acquisition"); and
- (ii) To subscribe of such number of ordinary shares resulting in the Company owning 40% of the enlarged issued share capital in ISAT subsequent to this subscription and the completion of the Proposed Acquisition (the "Proposed subscription").

The Proposed Investment is in progress pending the completion of due diligence exercise.

**23. Borrowings and debt securities**

There were no borrowings as at the end of the current financial period.

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**PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS**

**24. Changes in material litigation**

There was no material litigation as at the end of the current financial period.

**25. Dividend**

The Board of Directors has recommended for approval of shareholders a single tier final dividend of 2.5 sen per ordinary share for the financial year ended 31 December 2018.

The proposed payable date is 19 June 2019 in respect of deposited securities as at 27 May 2019.

**26. Earnings per share**

The basic and diluted earnings per share ("EPS") for the current quarter and current year-to-date were computed as follows:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2018	Preceding Year Corresponding Quarter 31/12/2017	Current Year To-date 31/12/2018	Preceding Year Corresponding Period 31/12/2017
Profit attributable to equity holders of the Company (RM'000)	8,307	11,550	24,628	26,268
Weighted average number of ordinary shares in issue ('000)	180,000	180,000	180,000	180,000
Basic earnings per share (sen)	4.6	6.4	13.7	14.6
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

Diluted EPS is not applicable as there were no potential ordinary shares in issue for the current quarter and cumulative quarter.

**27. Auditor's report on preceding annual financial statements**

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2017.

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**28. Comparative figures**

With the adoption of MFRS15, *Revenue from Contracts with Customers*, the Group had recognised revenue net of credit note given to customers arising from the marketing and promotional activities. The cost of sales was adjusted accordingly with no impact on the profit.

Similarly, the receivables and payables were adjusted for outstanding credit note not yet issued to customers arising from the marketing and promotional activities.

	Individual Quarter 31/12/2017		Cumulative Quarter 31/12/2017	
	RM'000 (As restated)	RM'000 (As previously stated)	RM'000 (As restated)	RM'000 (As previously stated)
Revenue	497,195	501,223	1,838,259	1,855,030
Cost of sales	(470,793)	(474,821)	(1,750,789)	(1,767,560)
			<b>As at 31/12/2017 RM'000 (As restated)</b>	<b>As at 31/12/2017 RM'000 (As previously stated)</b>
Receivables, deposits and prepayments			278,725	281,629
Payables and accruals			195,730	198,634

**By order of the Board**

**Chua Siew Chuan**  
**Cheng Chia Ping**  
 Company Secretaries

21 February 2019  
 Selangor