

VSTECS BERHAD

[Registration No: 199501021835 (351038-H)]

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020**

	As At 30/09/2020 RM'000	As At 31/12/2019 RM'000
ASSETS		
Plant and equipment	2,321	2,222
Investment properties	9,367	9,388
Right-of-use assets	638	2,057
Investment in an associate	21,620	21,226
Investment in a joint venture	13,789	13,876
Investment in club membership	62	62
Intangible asset	571	571
Deferred tax assets	1,299	1,137
Receivables and deposits	2,847	2,743
Total non-current assets	52,514	53,282
Inventories	103,951	131,625
Receivables, deposits and prepayments	274,385	291,993
Cash and cash equivalents	78,860	71,015
Total current assets	457,196	494,633
TOTAL ASSETS	509,710	547,915
EQUITY		
Share capital	90,000	90,000
Reserves	235,811	217,782
Total equity attributable to owners of the Company	325,811	307,782
LIABILITIES		
Lease liabilities	87	176
Total non-current liabilities	87	176
Payables and accruals	179,930	235,419
Lease liabilities	517	1,937
Tax payable	3,365	2,601
Total current liabilities	183,812	239,957
Total liabilities	183,899	240,133
TOTAL EQUITY AND LIABILITIES	509,710	547,915
Net assets per share attributable to owners of the Company (RM)	1.83	1.72

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

VSTECS BERHAD

[Registration No: 199501021835 (351038-H)]
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

	Note	Individual Quarter Three Months Ended		Cumulative Quarter Nine Months Ended	
		30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Revenue		536,368	459,572	1,357,862	1,260,188
Cost of sales		(508,406)	(434,756)	(1,285,199)	(1,195,194)
Gross profit		<u>27,962</u>	<u>24,816</u>	<u>72,663</u>	<u>64,994</u>
Distribution expenses		(10,918)	(9,615)	(29,487)	(26,691)
Administrative expenses		(5,173)	(5,487)	(15,217)	(15,756)
Net gain/(loss) on impairment of financial instruments		178	(781)	(465)	(587)
Other income	17	621	552	1,170	1,515
Results from operating activities	17	<u>12,670</u>	<u>9,485</u>	<u>28,664</u>	<u>23,475</u>
Finance income	18 (b)	456	64	1,368	471
Finance costs		(28)	(82)	(84)	(191)
Net finance income/(cost)		428	(18)	1,284	280
Share of profit of equity-accounted associate, net of tax		268	1,060	1,194	1,060
Share of profit of equity-accounted joint venture, net of tax		149	175	463	536
Profit before tax		<u>13,515</u>	<u>10,702</u>	<u>31,605</u>	<u>25,351</u>
Tax expense	21	(3,420)	(2,445)	(7,698)	(6,492)
Profit for the period / Total comprehensive income for the period		<u>10,095</u>	<u>8,257</u>	<u>23,907</u>	<u>18,859</u>
Profit for the period / Total comprehensive income for the period attributable to:					
Owners of the Company		10,095	8,257	23,907	18,859
Non-controlling interest		-	-	-	-
		<u>10,095</u>	<u>8,257</u>	<u>23,907</u>	<u>18,859</u>
Earnings per share attributable to owners of the Company:					
Basic (sen)	26	5.7	4.6	13.4	10.5
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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020**

	<- Attributable to owners of the Company - >					
	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
At 1 January 2019	90,000	-	198,096	288,096	-	288,096
Profit for the period / Total comprehensive income for the period	-	-	18,859	18,859	-	18,859
Own shares acquired	-	(930)	-	(930)	-	(930)
Dividend	-	-	(4,500)	(4,500)	-	(4,500)
At 30 September 2019	<u>90,000</u>	<u>(930)</u>	<u>212,455</u>	<u>301,525</u>	<u>-</u>	<u>301,525</u>
At 1 January 2020	90,000	(930)	218,712	307,782	-	307,782
Profit for the period / Total comprehensive income for the period	-	-	23,907	23,907	-	23,907
Own shares acquired	-	(523)	-	(523)	-	(523)
Dividend	-	-	(5,355)	(5,355)	-	(5,355)
At 30 September 2020	<u>90,000</u>	<u>(1,453)</u>	<u>237,264</u>	<u>325,811</u>	<u>-</u>	<u>325,811</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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020**

	Nine Months Ended	
	30/09/2020	30/09/2019
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	31,605	25,351
<i>Adjustments for:</i>		
Non-cash items	2,535	2,232
Non-operating items	(2,942)	(1,876)
Operating profit before changes in working capital	<u>31,198</u>	<u>25,707</u>
Change in inventories	27,674	31,103
Change in receivables, deposits and prepayment	17,609	(29,336)
Change in payables and accruals	(55,802)	(19,504)
Cash generated from operations	<u>20,679</u>	<u>7,970</u>
Tax paid	(7,096)	(5,749)
Net cash generated from operating activities	<u>13,583</u>	<u>2,221</u>
Cash Flows from Investing Activities		
Purchase of plant and equipment	(882)	(898)
Proceeds from disposal of plant and equipment	2	116
Acquisition of an associate company	-	(18,796)
Dividend income from an associate	800	-
Dividend income from a joint venture	550	250
Net cash from/(used in) investing activities	<u>470</u>	<u>(19,328)</u>
Cash Flows from Financing Activities		
Interest received	1,263	471
Interest paid	(84)	(191)
Repayment of lease liabilities	(1,509)	(1,429)
Purchase of treasury shares	(523)	(930)
Dividend paid	(5,355)	(4,500)
Net cash used in financing activities	<u>(6,208)</u>	<u>(6,579)</u>
Net increase/(decrease) in cash and cash equivalents	7,845	(23,686)
Cash and cash equivalents at beginning of period	<u>71,015</u>	<u>54,541</u>
Cash and cash equivalents at end of period	<u>78,860</u>	<u>30,855</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	<u>78,860</u>	<u>30,855</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 2019 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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 2019.

The consolidated financial statements of the Group as at and for the financial year ended 31 December 2019 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 2019, except with the adoption of the following Amendments to MFRS for financial period beginning on or after 1 January 2020:

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

The adoption of the above standards, interpretations or 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.

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, resale and repayments of debt and equity securities for the current quarter and the financial year-to-date except that the Company purchased its own shares totalling 589,700 ordinary shares amounted to RM522,711.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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

7. Dividends paid

A single tier interim dividend of 3.0 sen per share, totalling RM5,355,000 in respect of the financial year ended 31 December 2019 was paid on 17 June 2020.

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

	ICT Distribution RM'000	Enterprise Systems RM'000	ICT Services RM'000	Total RM'000
<u>9 months financial period ended 30 September 2020</u>				
External revenue	933,371	367,359	57,132	1,357,862
Inter-segment revenue	7,454	4,047	8,038	19,539
Total revenue	<u>940,825</u>	<u>371,406</u>	<u>65,170</u>	<u>1,377,401</u>
Reportable segment profit before tax	<u>13,998</u>	<u>13,489</u>	<u>2,081</u>	<u>29,568</u>
<u>9 months financial period ended 30 September 2019</u>				
External revenue	852,147	367,695	40,346	1,260,188
Inter-segment revenue	9,529	4,221	6,156	19,906
Total revenue	<u>861,676</u>	<u>371,916</u>	<u>46,502</u>	<u>1,280,094</u>
Reportable segment profit before tax	<u>11,499</u>	<u>10,544</u>	<u>1,166</u>	<u>23,209</u>

(b) Reconciliation of reportable segment profit and loss:

	Current Year To- date 30/09/2020 RM'000	Preceding Year Corresponding Period 30/09/2019 RM'000
Total profit for reportable segments before tax	29,568	23,209
Other non-reportable segments profit	13,190	11,697
Eliminate of inter-segments profit and loss	(11,153)	(9,555)
Consolidated profit before tax	<u>31,605</u>	<u>25,351</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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

8. Segmental reporting (continue)

(c) Disaggregation of the Group's revenue

	Current Year-to-date 30/09/2020		Preceding Year-to-date 30/09/2019	
	At a point in time RM'000	Over time RM'000	At a point in time RM'000	Over time RM'000
ICT Distribution				
Desktop PC, notebooks, mobility devices and peripherals	933,371	-	852,147	-
Enterprise Systems				
Server, storage, software and networking products	367,359	-	367,695	-
ICT Services				
Services and maintenance	55,689	1,443	39,850	496
	<u>1,356,419</u>	<u>1,443</u>	<u>1,259,692</u>	<u>496</u>

(d) Segment assets

	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
ICT Distribution	304,831	341,772
Enterprise Systems	153,871	192,028
ICT Services	6,181	7,739
Total reportable segment assets	<u>464,883</u>	<u>541,539</u>
Reconciliation of reportable segment:		
Total reportable segment assets	464,883	541,539
Other non-reportable segments assets	132,566	129,578
Elimination of inter-segment balances	(87,739)	(123,202)
Consolidated total	<u>509,710</u>	<u>547,915</u>

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

(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.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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

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 30/09/2020 RM'000	As At 31/12/2019 RM'000
Guarantees to suppliers and licensed banks for trade credit facilities granted by holding company to Group entities	144,958	144,892

(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 RM264,000.

13. Capital expenditure

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

	Year Quarter 30/09/2020 RM'000	Current Year To-date 30/09/2020 RM'000
Addition to plant and equipment	385	882

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020**PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING****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.

	Current Year To- date 30/09/2020 RM'000	Balance Due From/(To) As at 30/09/2020 RM'000
Transactions with a company in which a Director has interests:		
Lease liabilities	(1,481)	-
Administrative and accounting charges	7	2
Transactions with a company in which a Director has common directorship:		
Sales	141	8
Transactions with an associate company:		
Sales	61	32
Support services	(50)	-
	<hr/>	<hr/>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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 Quarter 30/09/2020 RM'000	Preceding Year Corresponding Quarter 30/09/2019 RM'000	Changes %	Current Year To-date 30/09/2020 RM'000	Preceding Year Corresponding Period 30/09/2019 RM'000	Changes %
Revenue	536,368	459,572	16.7	1,357,862	1,260,188	7.8
Gross profit	27,962	24,816	12.7	72,663	64,994	11.8
<i>GP margin %</i>	5.2%	5.4%		5.4%	5.2%	
Profit before tax	13,515	10,702	26.3	31,605	25,351	24.7
Profit for the period	10,095	8,257	22.3	23,907	18,859	26.8

Q3 FY2020 compared with Q3 FY2019

For Q3 FY2020, the revenue increased by 16.7% to RM536.4 million from RM459.6 million last year. The sales continue to improve under Recovery Movement Control Order (RMCO) as there was high demand for Work-From-Home (WFH) products for most of the employees during the lockdown. Gross Profit (GP) increased by 12.7% but with lower GP margin of 5.2% from the product mix compared with the GP margin of 5.4% last year.

With higher GP, interest income and improvement in impairment of financial instruments, the profit before tax (PBT) increased by 26.3% to RM13.5 million compared with RM10.7 million last year.

Quarterly Segmental Result

The performance of the three business segments for Q3 FY2020 compared with Q3 FY2019 were as follows:

a) ICT Distribution

Revenue increased by 21.2% mainly from notebook, phone and printers which are products related to WFH. With higher sales and GP, PBT increased by 36.4% to RM6.6 million from RM4.9 million last year.

b) Enterprise Systems

Revenue increased by 2.9% mainly due to higher sales from Enterprise Software. With higher sales and reversal of impairment loss on trade receivables, the PBT increased by 32.2% to RM5.6 million compared with RM4.2 million last year.

c) ICT Services

Revenue increased by RM7.1 million and PBT increased to RM803,000 compared with RM330,000 last year from maintenance services.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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

15. Review of performance (continue)

9 months ended 30 September 2020 compared with 30 September 2019

Sales at beginning of the year recorded good demand but were impacted during lockdown period but rebounded when business resumed full operation in May 2020. The sales continued to improve in Q3 FY2020. The sales for 9 months were 7.8% higher than last year contributed mainly from sales of notebook.

With higher sales and GP, the PBT increased by 24.7% to RM31.6 million compared with RM25.4 million last year.

Year-to-date Segmental Result

The performance of the three business segments for 9 months period ended 30 September 2020 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue increased by 9.5% with higher sales mainly from notebook, printer and tablets. With higher sales and GP, the PBT increased by 21.7% to RM14.0 million compared with RM11.5 million last year.

b) Enterprise Systems

Revenue slightly decreased by 0.1% as higher sales of enterprise software was offsetted by lower sales of storage, workstation and servers. However, with higher GP margin and reversal of impairment loss on trade receivables, PBT increased by 27.9% to RM13.5 million compared with RM10.5 million last year.

c) ICT Services

Revenue increased by RM16.8 million mainly due to maintenance services. With higher sales and GP, the PBT increased to RM2.1 million compared with RM1.2 million last year.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020
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

	Current Quarter 30/09/2020 RM'000	Immediate Preceding Quarter 30/06/2020 RM'000	Changes %
Revenue	536,368	448,822	19.5
Gross Profit	27,962	22,494	24.3
<i>GP margin %</i>	5.2%	5.0%	
Share of profit of equity-accounted associate, net of tax	268	68	294.1
Share of profit of equity-accounted joint venture, net of tax	149	126	18.3
Profit before tax	13,515	9,309	45.2
Profit for the period	10,095	7,023	43.7

The Group's revenue in current quarter increased by 19.5% to RM536.4 million compared with RM448.8 million in preceding quarter due to improved market sentiment after MCO. All three segments recorded better results. Sales of ICT Distribution, Enterprise Systems and ICT Services increased by 18.4%, 23.4% and 14.1% respectively.

With higher sales and GP, the PBT increased by 45.2% to RM13.5 million from RM9.3 million preceding quarter.

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2020 RM'000	Preceding Year Corresponding Quarter 30/09/2019 RM'000	Current Year To-date 30/09/2020 RM'000	Preceding Year Corresponding Period 30/09/2019 RM'000
Depreciation	(719)	(802)	(2,224)	(2,435)
Written (down)/back of inventories	(95)	(106)	825	(451)
Other income:				
Bad debts recovered	59	-	76	4
Foreign exchange gain - Realised	500	408	1,397	1,301
Foreign exchange gain/(loss) - Unrealised	654	(535)	(1,067)	(821)
Fair value (loss)/gain	(595)	676	754	914
Gain on fixed assets disposal	-	-	2	109
Others	3	3	8	8
	621	552	1,170	1,515

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 NINE MONTHS ENDED 30 SEPTEMBER 2020

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) Other major changes in financial position and cash flow

There were no material changes in financial position and cash flow during the period except with the decrease in payables by RM55.5 million due to higher repayment to vendors during the period.

(b) Finance income

The year-to-date finance income consists of RM105,000 arising from unwinding the fair value measurement of an non-current trade receivable.

(c) Trade receivables

Trade receivables have a credit term ranging from 14 to 60 days. Aging analysis of trade receivables as at 30 September 2020 were as follows:

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Current not past due	133,370	-	133,370
Past due 1 - 30 days	79,260	-	79,260
Past due 31 - 60 days	27,989	-	27,989
Past due 61 - 90 days	24,931	-	24,931
	<hr/> 265,550	<hr/> -	<hr/> 265,550
Past due more than 90 days	4,948	(907)	4,041
Individual impaired	60	(60)	-
	<hr/> 270,558	<hr/> (967)	<hr/> 269,591

The Group uses aging analysis to monitor the credit quality of the receivables. Invoices which are past due more than 90 days are considered as credit impaired. The gross carrying amount of credit impaired trade receivables are written off when there is no realistic prospect of recovery.

19. Prospects

Following a rapid increase in the number of Covid-19 cases, on 12 October the Malaysian government has placed Kuala Lumpur, Selangor and Putrajaya under a partial lockdown with the Conditional Movement Control Order (CMCO). Although most businesses can continue with their operations, the market sentiment is gravely impacted by this new wave of pandemic.

The latest forecast by International Data Corporation (IDC) on the ICT products that we are representing, is a negative growth rate of 0.3% for the year 2020. The World Bank has revised its forecast for Malaysia's 2020 gross domestic product (GDP) from a contraction of 3.1% to 4.9%.

The Government-enforced 6-month moratorium on home mortgage and vehicle loan repayment ended in September. With tighter cash flow in the market and the CMCO, market demand for consumer ICT products will be weaker in this fourth quarter.

The current political uncertainty has delayed many public sector projects that were scheduled for this year. However, we expect corporate year-end budget spending will spur more ICT expenditures on enterprise products for digital transformation to increase efficiency and productivity.

With the Covid-19 pandemic severely impacting our country's economy and the possibility of additional periods of conditional lockdown in various parts of Malaysia, we remain cautious for the prospects on the fourth quarter of 2020.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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 Quarter 30/09/2020 RM'000	Preceding Year Corresponding Quarter 30/09/2019 RM'000	Current Year To-date 30/09/2020 RM'000	Preceding Year Corresponding Period 30/09/2019 RM'000
Current income tax:				
Current year	3,526	2,840	7,921	6,689
(Over)/Under provision prior year	(61)	(180)	(61)	(180)
	<u>3,465</u>	<u>2,660</u>	<u>7,860</u>	<u>6,509</u>
Deferred tax	(45)	(215)	(162)	(17)
	<u>3,420</u>	<u>2,445</u>	<u>7,698</u>	<u>6,492</u>
Effective tax rate	25.3%	22.8%	24.4%	25.6%

The effective tax rate was different from the statutory tax rate of 24% due to share of profit in associate and joint venture which was net of tax and certain expenses which were not deductible for tax purposes.

22. Corporate proposals

There was no corporate proposals as at the end of the current financial period.

23. Borrowings and debt securities

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

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 declared a single tier interim dividend of 2.5 sen per ordinary share each for the financial year ending 31 December 2020.

The dividend will be paid on 16 December 2020 in respective of deposited securities as at 3 December 2020.

VSTECS BERHAD

[Registration No: 199501021835 (351038-H)]
(Incorporated in Malaysia)


UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020
PART B - EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS
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 30/09/2020	Preceding Year Corresponding Quarter 30/09/2019	Current Year To-date 30/09/2020	Preceding Year Corresponding Period 30/09/2019
Profit attributable to equity holders of the Company (RM'000)	10,095	8,257	23,907	18,859
Weighted average number of ordinary shares ('000)	178,501	179,222	178,672	179,737
Basic earnings per share (sen)	5.7	4.6	13.4	10.5
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 2019.

By order of the Board

Chua Siew Chuan
Cheng Chia Ping
Company Secretaries

5 November 2020
Selangor