

VSTECS BERHAD

[Registration No: 199501021835 (351038-H)]

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	As At 30/06/2021 RM'000	As At 31/12/2020 RM'000
ASSETS			
Plant and equipment		1,996	2,152
Right-of-use assets		4,587	5,422
Investment in an associate		22,356	22,574
Investment in a joint venture		14,243	13,937
Investment in club membership		62	62
Intangible asset		571	571
Deferred tax assets		1,388	897
Receivables and deposits		166	322
Total non-current assets		45,369	45,937
Inventories		179,821	86,526
Receivables, deposits and prepayments		327,557	319,533
Cash and cash equivalents		36,053	98,325
		543,431	504,384
Assets classified as held for sale	18(a)	-	9,000
Total current assets		543,431	513,384
TOTAL ASSETS		588,800	559,321
EQUITY			
Share capital		90,000	90,000
Reserves		258,810	244,223
Total equity attributable to owners of the Company		348,810	334,223
LIABILITIES			
Lease liabilities		2,784	3,614
Total non-current liabilities		2,784	3,614
Payables and accruals		227,967	215,979
Lease liabilities		1,851	1,827
Tax payable		7,388	3,678
Total current liabilities		237,206	221,484
Total liabilities		239,990	225,098
TOTAL EQUITY AND LIABILITIES		588,800	559,321
Net assets per share attributable to owners of the Company (RM)		1.95	1.87

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

VSTECS BERHAD

[Registration No: 199501021835 (351038-H)]

(Incorporated in Malaysia)


**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021**

	Note	Individual Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
		30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Revenue		563,899	448,822	1,232,876	821,494
Cost of sales		(534,722)	(426,328)	(1,171,084)	(776,793)
Gross profit		29,177	22,494	61,792	44,701
Distribution expenses		(11,127)	(9,204)	(23,105)	(18,569)
Administrative expenses		(5,672)	(4,730)	(11,404)	(10,044)
Net loss on impairment of financial instruments		(567)	(230)	(373)	(643)
Other income	17	465	276	1,621	549
Results from operating activities	17	12,276	8,606	28,531	15,994
Finance income		362	537	792	912
Finance costs		(50)	(28)	(104)	(56)
Net finance income		312	509	688	856
Share of profit of equity-accounted associate, net of tax		315	68	582	926
Share of profit of equity-accounted joint venture, net of tax		171	126	306	314
Profit before tax		13,074	9,309	30,107	18,090
Tax expense	21	(3,187)	(2,286)	(7,487)	(4,278)
Profit for the period / Total comprehensive income for the period		9,887	7,023	22,620	13,812
Profit for the period / Total comprehensive income for the period attributable to:					
Owners of the Company		9,887	7,023	22,620	13,812
Non-controlling interest		-	-	-	-
		9,887	7,023	22,620	13,812
Earnings per share attributable to owners of the Company:					
Basic (sen)	26	5.5	3.9	12.7	7.7
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 2020 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR SIX MONTHS ENDED 30 JUNE 2021**

	<- Attributable to owners of the Company - >					Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non- Controlling Interest RM'000	
At 1 January 2020	90,000	(930)	218,712	307,782	-	307,782
Profit for the period / Total comprehensive income for the period	-	-	13,812	13,812	-	13,812
Own shares acquired	-	(523)	-	(523)	-	(523)
Dividend	-	-	(5,355)	(5,355)	-	(5,355)
At 30 June 2020	<u>90,000</u>	<u>(1,453)</u>	<u>227,169</u>	<u>315,716</u>	<u>-</u>	<u>315,716</u>
At 1 January 2021	90,000	(1,453)	245,676	334,223	-	334,223
Profit for the period / Total comprehensive income for the period	-	-	22,620	22,620	-	22,620
Own shares acquired	-	-	-	-	-	-
Dividend	-	-	(8,033)	(8,033)	-	(8,033)
At 30 June 2021	<u>90,000</u>	<u>(1,453)</u>	<u>260,263</u>	<u>348,810</u>	<u>-</u>	<u>348,810</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 2020 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR SIX MONTHS ENDED 30 JUNE 2021**

	Note	Six Months Ended	
		30/06/2021 RM'000	30/06/2020 RM'000
Cash Flows from Operating Activities			
Profit before tax		30,107	18,090
<i>Adjustments for:</i>			
Non-cash items		1,694	1,875
Non-operating items		(1,576)	(2,096)
Operating profit before changes in working capital		<u>30,225</u>	<u>17,869</u>
Change in inventories		(93,295)	22,095
Change in receivables, deposits and prepayment		(7,637)	1,266
Change in payables and accruals		11,505	48,139
Cash (used in)/generated from operations		<u>(59,202)</u>	<u>89,369</u>
Tax paid		(4,268)	(3,741)
Net cash (used in)/from operating activities		<u>(63,470)</u>	<u>85,628</u>
Cash Flows from Investing Activities			
Acquisition of plant and equipment		(253)	(497)
Proceeds from disposal of Investment Properties	18(a)	9,000	-
Proceeds from disposal of plant and equipment		-	2
Dividend income from an associate		800	-
Dividend income from a joint venture		-	550
Net cash from investing activities		<u>9,547</u>	<u>55</u>
Cash Flows from Financing Activities			
Interest received		720	843
Interest paid		(104)	(56)
Repayment of lease liabilities		(932)	(1,004)
Repurchase of treasury shares		-	(523)
Dividend paid		(8,033)	(5,355)
Net cash used in financing activities		<u>(8,349)</u>	<u>(6,095)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(62,272)</u>	<u>79,588</u>
Cash and cash equivalents at beginning of period		<u>98,325</u>	<u>71,015</u>
Cash and cash equivalents at end of period		<u>36,053</u>	<u>150,603</u>
Cash and cash equivalents comprise the following:			
Cash and bank balances		<u>36,053</u>	<u>150,603</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 2020 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021

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 2020.

The consolidated financial statements of the Group as at and for the financial year ended 31 December 2020 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 2020, except with the adoption of the following:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

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.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021

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

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.

7. Dividends paid

A second single tier interim dividend of 4.5 sen per share, totalling RM8,033,000 in respect of the financial year ended 31 December 2020 was paid on 21 May 2021.

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 consumer ICT products to resellers, comprising mainly retailers
- (ii) Enterprise Systems Distribution of commercial and enterprise 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>6 months financial period ended 30 June 2021</u>				
External revenue	732,535	464,375	35,966	1,232,876
Inter-segment revenue	7,961	2,701	5,254	15,916
Total revenue	<u>740,496</u>	<u>467,076</u>	<u>41,220</u>	<u>1,248,792</u>
Reportable segment profit before tax	<u>12,582</u>	<u>15,092</u>	<u>1,172</u>	<u>28,846</u>
<u>6 months financial period ended 30 June 2020</u>				
External revenue	433,547	352,203	35,744	821,494
Inter-segment revenue	5,153	3,336	5,209	13,698
Total revenue	<u>438,700</u>	<u>355,539</u>	<u>40,953</u>	<u>835,192</u>
Reportable segment profit before tax	<u>4,732</u>	<u>10,505</u>	<u>1,279</u>	<u>16,516</u>

There was a reclassification of product grouping on certain commercial products from ICT Distribution to Enterprise Systems segment. This is to reflect better reporting in line with the business transactions. The comparative figures were restated accordingly.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021

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

8. Segmental reporting (continue)

(b) Reconciliation of reportable segment profit and loss:

	Current Year To- date 30/06/2021 RM'000	Preceding Year Corresponding Period 30/06/2020 RM'000
Total profit for reportable segments before tax	28,846	16,515
Other non-reportable segments profit	2,060	2,129
Eliminate of inter-segments loss	(799)	(554)
Consolidated profit before tax	<u>30,107</u>	<u>18,090</u>

(c) Disaggregation of the Group's revenue

	Current Year-to-date 30/06/2021		Preceding Year-to-date 30/06/2020	
	At a point in time RM'000	Over time RM'000	At a point in time RM'000	Over time RM'000
ICT Distribution				
Consumer Desktop, PC and notebooks. Mobility devices and peripherals	732,535	-	433,547	-
Enterprise Systems				
Commercial Desktop, PC and notebook. Server, storage, software and networking products	464,375	-	352,203	-
ICT Services				
Services and maintenance	34,700	1,266	34,691	1,053
	<u>1,231,610</u>	<u>1,266</u>	<u>820,441</u>	<u>1,053</u>

(d) Segment assets

	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
ICT Distribution	400,440	342,141
Enterprise Systems	190,868	167,134
ICT Services	7,988	9,786
Total reportable segment assets	<u>599,296</u>	<u>519,061</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021

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

8. Segmental reporting (continue)

(d) Segment assets (continue)

	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
<u>Reconciliation of reportable segment assets:</u>		
Total reportable segment assets	599,296	519,061
Other non-reportable segments assets	126,978	137,006
Elimination of inter-segment balances	(137,474)	(96,746)
Consolidated total assets	588,800	559,321

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 Officer. 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 30/06/2021 RM'000	As At 31/12/2020 RM'000
Guarantees to suppliers and licensed banks for trade credit facilities granted by holding company to Group entities	144,950	144,892

(b) Contingent assets

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021

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

12. Capital commitments

The capital expenditure contracted but not provided for as at the end of the current financial period amounted to RM296,000.

13. Capital expenditure

There were no major additions and disposals of plant and equipment during the current quarter and financial year-to-date. The major additions and disposals to plant and equipment during the current quarter and financial year-to-date were as follows:

	Current Year Quarter 30/06/2021 RM'000	Current Year To-date 30/06/2021 RM'000
Addition to plant and equipment	99	253

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 30/06/2021 RM'000	Balance Due From/(To) As at 30/06/2021 RM'000
Transactions with an affiliated company:		
Purchases	(724)	(33)
Transactions with a company in which a Director has interests:		
Lease liabilities	(960)	-
Administrative and accounting charges	5	1
Transactions with an associate company:		
Sales	216	24
Support services	(91)	(41)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021

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 30/06/2021 RM'000	Preceding Year Corresponding Quarter 30/06/2020 RM'000	Changes %	Current Year To-date 30/06/2021 RM'000	Preceding Year Corresponding Period 30/06/2020 RM'000	Changes %
Revenue	563,899	448,822	25.6	1,232,876	821,494	50.1
Gross profit	29,177	22,494	29.7	61,792	44,701	38.2
<i>GP margin %</i>	5.2%	5.0%		5.0%	5.4%	
Profit before tax	13,074	9,309	40.4	30,107	18,090	66.4
Profit for the period	9,887	7,023	40.8	22,620	13,812	63.8

Q2 FY2021 compared with Q2 FY2020

Although sales in June 2021 were impacted by further lockdown, the revenue in Q2 FY2021 increased by 25.6% to RM563.9 million from RM448.8 million last year due to high demand of Work-From-Home (WFH) products in the month of April and May 2021. With higher sales, the Gross Profit (GP) increased by 29.7% to RM29.2 million from RM22.5 million last year.

With higher GP and higher share of profit from Associate and Joint Venture companies, the profit before tax (PBT) increased by 40.4% to RM13.1 million as compared to RM9.3 million in Q2 FY2020.

Quarterly Segmental Result

The performance of the three business segments for Q2 FY2021 compared with Q2 FY2020 were as follows:

a) ICT Distribution

Revenue increased by 22.3% mainly from consumer desktop, PC, notebooks and printers. With higher sales and GP margin, PBT increased by 60.4% to RM5.2 million from RM3.3 million last year.

b) Enterprise Systems

Revenue increased by 33.8% across all major products. With higher sales and GP, PBT increased by 30.6% to RM6.7 million compared with RM5.1 million last year.

c) ICT Services

Revenue decreased by RM1.1 million resulting PBT decreased by RM68,000.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021

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

15. Review of performance (continue)

6 months ended 30 June 2021 compared with 30 June 2020

For the first half FY2021, the Group recorded good sales performance. The 6-month sales increased by 50.1% to RM1.23 billion compared with RM821.5 million last year contributed by all three segments.

With higher GP and gain in financial instruments and foreign exchange, but lower share of profit from Associate and Joint Venture companies, the profit before tax (PBT) increased by 66.4% to RM30.1 million compared with RM18.1 million last year.

Year-to-date Segmental Result

The performance of the three business segments for 6 months period ended 30 June 2021 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue increased by 69.0% across all major products except peripherals. With higher sales and gain in financial instruments and foreign exchange, the PBT increased by 165.9% to RM12.6 million as compared to RM4.7 million last year.

b) Enterprise Systems

Revenue increased by 31.9% across all major products except commercial supplies & consumables. With higher sales and GP, PBT increased by 43.7% to RM15.1 million as compared to RM10.5 million last year.

c) ICT Services

Revenue increased by RM222,000 mainly due to maintenance services. However, due to higher operating expenses, the PBT decreased by RM106,000 to RM1.2 million as compared to RM1.3 million last year.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021
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 30/06/2021 RM'000	Immediate Preceding Quarter 31/03/2021 RM'000	Changes %
Revenue	563,899	668,977	(15.7)
Gross Profit	29,177	32,615	(10.5)
<i>GP margin %</i>	5.2%	4.9%	
Share of profit of equity-accounted associate, net of tax	315	267	18.0
Share of profit of equity-accounted joint venture, net of tax	171	135	26.7
Profit before tax	13,074	17,033	(23.2)
Profit for the period	9,887	12,733	(22.4)

Q2 FY2021 revenue was lower by 15.7% at RM563.9 million from RM669.0 million due to sales in June 21 was impacted by stricter lockdown. ICT Distribution and ICT Services recorded lower revenue by 26.9% and 3.5% respectively; while Enterprise Systems recorded higher revenue by 4.1%.

With the decreased in revenue and lower gain in financial instruments and foreign exchange by RM712,000, PBT in Q2 FY2021 decreased by 23.2% to RM13.1 million compared with RM17.0 million of preceding quarter.

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2021 RM'000	Preceding Year Corresponding Quarter 30/06/2020 RM'000	Current Year To-date 30/06/2021 RM'000	Preceding Year Corresponding Period 30/06/2020 RM'000
Depreciation	(685)	(745)	(1,368)	(1,505)
Written (down)/back of inventories	(417)	368	(1,048)	920
<hr/>				
<u>Other income:</u>				
Bad debts recovered	23	-	24	17
Foreign exchange gain - Realised	794	186	1,918	897
Foreign exchange gain/(loss) - Unrealised	980	2,617	(2,174)	(1,721)
Fair value (loss)/gain	(1,333)	(2,532)	1,850	1,349
(Loss)/Gain on fixed assets disposal/written off	(2)	2	(2)	2
Others	3	3	5	5
	<hr/> 465	<hr/> 276	<hr/> 1,621	<hr/> 549

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021

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

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

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 except as disclosed in Note 18(a).

18. Commentaries and disclosure of other information

(a) Other major changes in financial position and cash flow

The investment properties which were classified as assets held for sales in last financial year end, had been disposed off in Q1 FY2021 at a consideration of RM9.0 million. No gain or loss arising from the disposal as the assets had been measured at fair value less costs of disposal in last financial year.

(b) Trade receivables

Trade receivables have a credit term ranging from 14 to 60 days. Aging analysis of trade receivables as at 30 June 2021 were as follows:

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Current not past due	138,576	-	138,576
Past due 1 - 30 days	116,717	-	116,717
Past due 31 - 60 days	46,827	-	46,827
Past due 61 - 90 days	12,619	-	12,619
	<hr/>		
	314,739	-	314,739
Past due more than 90 days	3,415	(772)	2,643
Individual impaired	-	-	-
	<hr/>		
	318,154	(772)	317,382
	<hr/>		

The Group uses aging analysis to monitor the credit quality of the trade 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.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021

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

19. Prospects

The Malaysian government has implemented various stages of countrywide lockdowns to fight the Covid-19 pandemic but unfortunately the daily Covid-19 cases continue to rise, impacting businesses in all sectors of the economy and also the lives and livelihoods of the people. Bank Negara Malaysia has lowered Malaysia's 2021 Gross Domestic Product (GDP) growth projection to 3.0% - 4.0% from the previous rate of 6.0% - 7.5% earlier this year because of the rising Covid-19 infections and the prolonged nationwide lockdown.

Since the national lockdown on most businesses except for essential services in May 2021, ICT retailers were finally allowed to reopen their physical stores on 16 July 2021. Although the retail business has restarted slowly we are confident that the demand of ICT consumer products will continue to grow for work as well as leisure. Meanwhile, the rising trend for online purchases has increased our e-Commerce revenue.

The current lockdown has delayed several Enterprise Systems projects and implementations in the private and public sectors. Many businesses are still not allowed to resume their operations in the Klang Valley and we expect some commercial projects to be postponed or cancelled.

The continued daily high Covid-19 cases and the impending change of the government have resulted in poor market sentiment and business confidence. However, the significant increase in vaccine rollout to the population recently has brought some optimism to reducing the infection rate in the near future.

With the current pandemic and political uncertainties, we are cautious on the outlook for 2H FY2021.

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
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Current year	3,401	2,085	7,978	4,395
(Over)/Under provision prior year	-	-	-	-
	<u>3,401</u>	<u>2,085</u>	<u>7,978</u>	<u>4,395</u>
Deferred tax	(214)	201	(491)	(117)
	<u>3,187</u>	<u>2,286</u>	<u>7,487</u>	<u>4,278</u>
Effective tax rate	24.4%	24.6%	24.9%	23.6%

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.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2021

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

22. Corporate proposals

On 19 May 2021, the Company announced the bonus issue of up to 180,000,000 new ordinary shares in VSTECS Berhad ("Bonus Shares") on the basis of 1 bonus share for every 1 existing VSTECS share held as at 3 August 2021 ("Bonus Issue of Shares"). The Bonus Issue of Shares was approved by the shareholders in the Extraordinary General Meeting held on 16 July 2021. The Bonus Issue of Shares has been completed following the listing of and quotation for 180,000,000 Bonus Shares on the Main Market of Bursa Malaysia Securities Berhad on 4 August 2021.

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 1.5 sen per ordinary share each for the financial year ending 31 December 2021.

The dividend will be paid on 27 October 2021 in respective of deposited securities as at 30 September 2021.

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 30/06/2021	Preceding Year Corresponding Quarter 30/06/2020	Current Year To-date 30/06/2021	Preceding Year Corresponding Period 30/06/2020
Profit attributable to equity holders of the Company (RM'000)	9,887	7,023	22,620	13,812
Weighted average number of ordinary shares ('000)	178,501	178,501	178,501	178,759
Basic earnings per share (sen)	5.5	3.9	12.7	7.7
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

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

VSTECS BERHAD

[Registration No: 199501021835 (351038-H)]

(Incorporated in Malaysia)



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

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 2020.

By order of the Board

Chua Siew Chuan
Cheng Chia Ping
Company Secretaries

19 August 2021
Selangor