

VSTECS BERHAD

[Registration No: 199501021835 (351038-H)]

(Incorporated in Malaysia)


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

	Note	As At 30/09/2021 RM'000	As At 31/12/2020 RM'000
ASSETS			
Plant and equipment		2,131	2,152
Right-of-use assets		4,247	5,422
Investment in an associate		23,149	22,574
Investment in a joint venture		13,779	13,937
Investment in club membership		62	62
Intangible asset		571	571
Deferred tax assets		1,587	897
Receivables and deposits		166	322
Total non-current assets		45,692	45,937
Inventories		158,989	86,526
Receivables, deposits and prepayments		301,460	319,533
Cash and cash equivalents		125,828	98,325
		586,277	504,384
Assets classified as held for sale	18(a)	-	9,000
Total current assets		586,277	513,384
TOTAL ASSETS		631,969	559,321
EQUITY			
Share capital		90,000	90,000
Reserves		271,366	244,223
Total equity attributable to owners of the Company		361,366	334,223
LIABILITIES			
Lease liabilities		2,420	3,614
Total non-current liabilities		2,420	3,614
Payables and accruals		256,948	215,979
Lease liabilities		1,887	1,827
Tax payable		9,348	3,678
Total current liabilities		268,183	221,484
Total liabilities		270,603	225,098
TOTAL EQUITY AND LIABILITIES		631,969	559,321
Net assets per share attributable to owners of the Company (RM)		1.01	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.

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[Registration No: 199501021835 (351038-H)]

(Incorporated in Malaysia)


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

	Note	Individual Quarter Three Months Ended		Cumulative Quarter Nine Months Ended	
		30/09/2021 RM'000	30/09/2020 RM'000	30/09/2021 RM'000	30/09/2020 RM'000
Revenue		629,567	536,368	1,862,443	1,357,862
Cost of sales		(595,913)	(508,406)	(1,766,997)	(1,285,199)
Gross profit		<u>33,654</u>	<u>27,962</u>	<u>95,446</u>	<u>72,663</u>
Distribution expenses		(12,175)	(10,918)	(35,280)	(29,487)
Administrative expenses		(5,959)	(5,173)	(17,363)	(15,217)
Net gain/(loss) on impairment of financial instruments		193	178	(180)	(465)
Other income	17	187	621	1,808	1,170
Results from operating activities	17	<u>15,900</u>	<u>12,670</u>	<u>44,431</u>	<u>28,664</u>
Finance income		209	456	1,001	1,368
Finance costs		(56)	(28)	(160)	(84)
Net finance income		153	428	841	1,284
Share of profit of equity-accounted associate, net of tax		793	268	1,375	1,194
Share of profit of equity-accounted joint venture, net of tax		136	149	442	463
Profit before tax		<u>16,982</u>	<u>13,515</u>	<u>47,089</u>	<u>31,605</u>
Tax expense	21	(4,426)	(3,420)	(11,913)	(7,698)
Profit for the period / Total comprehensive income for the period		<u>12,556</u>	<u>10,095</u>	<u>35,176</u>	<u>23,907</u>
Profit for the period / Total comprehensive income for the period attributable to:					
Owners of the Company		12,556	10,095	35,176	23,907
Non-controlling interest		-	-	-	-
		<u>12,556</u>	<u>10,095</u>	<u>35,176</u>	<u>23,907</u>
Earnings per share attributable to owners of the Company:					
Basic (sen)	26	3.5	2.8	9.9	6.7
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 NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	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>
At 1 January 2021	90,000	(1,453)	245,676	334,223	-	334,223
Profit for the period / Total comprehensive income for the period	-	-	35,176	35,176	-	35,176
Dividend	-	-	(8,033)	(8,033)	-	(8,033)
At 30 September 2021	<u>90,000</u>	<u>(1,453)</u>	<u>272,819</u>	<u>361,366</u>	<u>-</u>	<u>361,366</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 NINE MONTHS ENDED 30 SEPTEMBER 2021**

	Note	Nine Months Ended	
		30/09/2021 RM'000	30/09/2020 RM'000
Cash Flows from Operating Activities			
Profit before tax		47,089	31,605
<i>Adjustments for:</i>			
Non-cash items		2,508	2,535
Non-operating items		(2,658)	(2,942)
Operating profit before changes in working capital		46,939	31,198
Change in inventories		(72,463)	27,674
Change in receivables, deposits and prepayment		18,339	17,609
Change in payables and accruals		40,526	(55,802)
Cash generated from operations		33,341	20,679
Tax paid		(6,933)	(7,096)
Net cash from operating activities		26,408	13,583
Cash Flows from Investing Activities			
Acquisition of plant and equipment		(605)	(882)
Proceeds from disposal of Investment Properties	18(a)	9,000	-
Proceeds from disposal of plant and equipment		-	2
Dividend income from an associate		800	800
Dividend income from a joint venture		600	550
Net cash from investing activities		9,795	470
Cash Flows from Financing Activities			
Interest received		891	1,263
Interest paid		(160)	(84)
Repayment of lease liabilities		(1,398)	(1,509)
Repurchase of treasury shares		-	(523)
Dividend paid		(8,033)	(5,355)
Net cash used in financing activities		(8,700)	(6,208)
Net increase in cash and cash equivalents		27,503	7,845
Cash and cash equivalents at beginning of period		98,325	71,015
Cash and cash equivalents at end of period		125,828	78,860
Cash and cash equivalents comprise the following:			
Cash and bank balances		125,828	78,860

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 NINE MONTHS ENDED 30 SEPTEMBER 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 NINE MONTHS ENDED 30 SEPTEMBER 2021

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

6. Debt and equity securities

As disclosed in Note 22, the Company has completed the listing of and quotation for 180,000,000 Bonus Shares on the Main Market of Bursa Malaysia Securities Berhad on 4 August 2021.

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.

A single tier interim dividend of 1.5 sen per share, totalling RM5,355,000 in respect of the financial year ending 31 December 2021 was paid on 27 October 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>9 months financial period ended 30 September 2021</u>				
External revenue	1,073,815	714,668	73,960	1,862,443
Inter-segment revenue	13,884	5,565	8,133	27,582
Total revenue	<u>1,087,699</u>	<u>720,233</u>	<u>82,093</u>	<u>1,890,025</u>
Reportable segment profit before tax	<u>18,885</u>	<u>23,387</u>	<u>2,530</u>	<u>44,802</u>
<u>9 months financial period ended 30 September 2020</u>				
External revenue	729,591	571,139	57,132	1,357,862
Inter-segment revenue	7,454	4,047	8,038	19,539
Total revenue	<u>737,045</u>	<u>575,186</u>	<u>65,170</u>	<u>1,377,401</u>
Reportable segment profit before tax	<u>9,913</u>	<u>17,573</u>	<u>2,082</u>	<u>29,568</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 NINE MONTHS ENDED 30 SEPTEMBER 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 30/09/2021 RM'000	Preceding Year Corresponding Period 30/09/2020 RM'000
Total profit for reportable segments before tax	44,802	29,568
Other non-reportable segments profit	8,187	13,190
Eliminate of inter-segments profit	(5,900)	(11,153)
Consolidated profit before tax	<u>47,089</u>	<u>31,605</u>

(c) Disaggregation of the Group's revenue

	Current Year-to-date 30/09/2021		Preceding Year-to-date 30/09/2020	
	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	1,073,815	-	729,591	-
Enterprise Systems				
Commercial Desktop, PC and notebook. Server, storage, software and networking products	714,668	-	571,139	-
ICT Services				
Services and maintenance	72,336	1,624	55,689	1,443
	<u>1,860,819</u>	<u>1,624</u>	<u>1,356,419</u>	<u>1,443</u>

(d) Segment assets

	As at 30/09/2021 RM'000	As at 31/12/2020 RM'000
ICT Distribution	365,355	342,141
Enterprise Systems	201,689	167,134
ICT Services	9,214	9,786
Total reportable segment assets	<u>576,258</u>	<u>519,061</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 30/09/2021 RM'000	As at 31/12/2020 RM'000
<u>Reconciliation of reportable segment assets:</u>		
Total reportable segment assets	576,258	519,061
Other non-reportable segments assets	130,754	137,006
Elimination of inter-segment balances	(75,043)	(96,746)
Consolidated total assets	631,969	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 30/09/2021 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	144,990	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 NINE MONTHS ENDED 30 SEPTEMBER 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 RM719,000.

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 30/09/2021 RM'000	Current Year To-date 30/09/2021 RM'000
Addition to plant and equipment	<u>352</u>	<u>605</u>

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 30/09/2021 RM'000	Balance Due From/(To) As at 30/09/2021 RM'000
Transactions with an affiliated company:		
Purchases	(724)	(33)
Transactions with a company in which a Director has interests:		
Lease liabilities	(1,440)	-
Administrative and accounting charges	7	1
Transactions with an associate company:		
Sales	368	47
Support services	(97)	-

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 30/09/2021 RM'000	Preceding Year Corresponding Quarter 30/09/2020 RM'000	Changes %	Current Year To-date 30/09/2021 RM'000	Preceding Year Corresponding Period 30/09/2020 RM'000	Changes %
Revenue	629,567	536,368	17.4	1,862,443	1,357,862	37.2
Gross profit	33,654	27,962	20.4	95,446	72,663	31.4
<i>GP margin %</i>	5.3%	5.2%		5.1%	5.4%	
Profit before tax	16,982	13,515	25.7	47,089	31,605	49.0
Profit for the period	12,556	10,095	24.4	35,176	23,907	47.1

Q3 FY2021 compared with Q3 FY2020

For Q3 FY2021, the revenue increased by 17.4% to RM629.6 million from RM536.4 million last year as IT retailers were allowed to operate from 17 July 2021 and some flexibilities were given by the government to certain business sectors to revive the economy. With higher sales, Gross Profit (GP) increased by 20.4% to RM33.7 million compared to RM28.0 million last year.

With higher GP and higher share of profit from associate company, the profit before tax (PBT) increased by 25.7% to RM17.0 million as compared to RM13.5 million in Q3 FY2020.

Quarterly Segmental Result

The performance of the three business segments for Q3 FY2021 compared with Q3 FY2020 were as follows:

a) ICT Distribution

Revenue increased by 15.3% across all major products except smartphone and peripheral. With higher sales and GP margin, PBT increased by 21.7% to RM6.3 million from RM5.2 million last year.

b) Enterprise Systems

Revenue increased by 14.3% mainly from commercial notebook, networking hardware and software. With higher sales and GP, PBT increased by 17.4% to RM8.3 million compared with RM7.1 million last year.

c) ICT Services

Revenue increased by RM16.6 million mainly from cloud services resulting in higher PBT by RM554,000.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2021**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 2021 compared with 30 September 2020**

For the 9 months ended 30 September 2021, the revenue increased by 37.2% to RM1.86 billion compared to RM1.36 billion last year contributed by all three segments. Revenue was impacted by a total lockdown enforced by the government from 1 Jun 2021 onwards but soon recovered when retailers are allowed to operate from 17 July 2021 and some flexibilities were given by the government to certain business sectors to revive the economy.

GP increased by 31.4% to RM95.4 million from RM72.7 million last year after accounting for inventories written down of RM1.2 million as compared to write back of RM825,000 last year.

With higher GP and gain in financial instruments and foreign exchange, the profit before tax (PBT) increased by 49.0% to RM47.1 million compared with RM31.6 million last year.

Year-to-date Segmental Result

The performance of the three business segments for 9 months period ended 30 September 2021 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue increased by 47.2% across all major products except peripherals. With higher sales and gain in financial instruments and foreign exchange, the PBT increased by 90.5% to RM18.9 million as compared to RM9.9 million last year.

b) Enterprise Systems

Revenue increased by 25.1% mainly from commercial notebook, networking hardware and software. With higher sales and GP, PBT increased by 33.1% to RM23.4 million as compared to RM17.6 million last year.

c) ICT Services

Revenue increased by RM16.8 million mainly from cloud services. With higher sales and GP, the PBT increased by 21.5% to RM2.5 million as compared to RM2.1 million last year.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 30/09/2021 RM'000	Immediate Preceding Quarter 30/06/2021 RM'000	Changes %
Revenue	629,567	563,899	11.6
Gross Profit	33,654	29,177	15.3
<i>GP margin %</i>	5.3%	5.2%	
Share of profit of equity-accounted associate, net of tax	793	315	151.7
Share of profit of equity-accounted joint venture, net of tax	136	171	(20.5)
Profit before tax	16,982	13,074	29.9
Profit for the period	12,556	9,887	27.0

Q3 FY2021 revenue was higher by 11.6% at RM629.6 million from RM563.9 million as market sentiment improved after government allowed retailers to operate starting from 17 July 2021. All three segments recorded higher revenue from ICT Distribution by 10.3%, Enterprise Systems by 5.7% and ICT services by 115.1% mainly from cloud services.

With higher sales and GP, PBT in Q3 FY2021 increased by 29.9% to RM17.0 million compared with RM13.1 million of preceding quarter.

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2021 RM'000	Preceding Year Corresponding Quarter 30/09/2020 RM'000	Current Year To-date 30/09/2021 RM'000	Preceding Year Corresponding Period 30/09/2020 RM'000
Depreciation	(688)	(719)	(2,056)	(2,224)
Written (down)/back of inventories	(174)	(95)	(1,222)	825
Other income:				
Bad debts recovered	-	59	24	76
Foreign exchange gain - Realised	153	500	2,071	1,397
Foreign exchange gain/(loss) - Unrealised	775	654	(1,399)	(1,067)
Fair value (loss)/gain	(894)	(595)	956	754
(Loss)/Gain on fixed assets disposal/written off	(7)	-	(9)	2
Government grant	156	-	156	-
Others	4	3	9	8
	187	621	1,808	1,170

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 September 2021 were as follows:

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Current not past due	183,786	-	183,786
Past due 1 - 30 days	72,453	-	72,453
Past due 31 - 60 days	21,639	-	21,639
Past due 61 - 90 days	10,791	-	10,791
	<hr/> 288,669	<hr/> -	<hr/> 288,669
Past due more than 90 days	1,200	(579)	621
	<hr/> 289,869	<hr/> (579)	<hr/> 289,290

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 NINE MONTHS ENDED 30 SEPTEMBER 2021

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

19. Prospects

The high vaccination rate in Malaysia has led to a decrease in Covid-19 cases to enable the government to reopen the economy gradually and ease movement restrictions throughout the country.

The World Bank has lowered Malaysia's 2021 economic Gross Domestic Product (GDP) growth rate outlook for this year to 3.0% from the previous rates of 6.0% and 4.5%. Although International Data Corporation (IDC) forecasted a growth of 7.1% for 2021 on the ICT products that we are distributing, for the first 3 quarters of this year we have outgrown the IDC forecast and we shall maintain the momentum.

The ICT retailers are in full operations for the last few months with the demand for consumer products continuing to gain momentum but many vendors are still unable to fulfil our backlog orders due to shortage of components in the supply chain. We expect the year-end festive season to spur higher consumer spending on ICT products.

Most business sectors are back in operations and many are rushing to digitalize and automate their business processes. The year-end budget spending and the number of pending projects from the public sector and enterprises including telco 5G infrastructure projects are expected to enhance the prospects of our Enterprise Systems segment.

Barring any unexpected matters arising from the Covid-19 pandemic, we are optimistic of our outlook for Q4 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
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Current year	4,165	3,526	12,143	7,921
Under/(Over) provision prior year	460	(61)	460	(61)
	<u>4,625</u>	<u>3,465</u>	<u>12,603</u>	<u>7,860</u>
Deferred tax	(199)	(45)	(690)	(162)
	<u>4,426</u>	<u>3,420</u>	<u>11,913</u>	<u>7,698</u>
Effective tax rate	26.1%	25.3%	25.3%	24.4%

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 NINE MONTHS ENDED 30 SEPTEMBER 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

No dividend was recommended in the current quarter under review.

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 30/09/2021	Preceding Year Corresponding Quarter 30/09/2020	Current Year To-date 30/09/2021	Preceding Year Corresponding Period 30/09/2020
Profit attributable to equity holders of the Company (RM'000)	12,556	10,095	35,176	23,907
Weighted average number of ordinary shares ('000)	357,002	357,002	357,002	357,344
Basic earnings per share (sen)	3.5	2.8	9.9	6.7
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

Comparative figures for weighted average number of ordinary shares and basic earnings per share have been restated to reflect the adjustment arising from additional 180,000,000 bonus shares issued on 4 August 2021.

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)



UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2021

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

11 November 2021
Selangor