

VSTECS BERHAD

[Registration No: 199501021835 (351038-H)]

(Incorporated in Malaysia)


**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	Note	As At 30/06/2022 RM'000	As At 31/12/2021 RM'000
ASSETS			
Plant and equipment		2,378	2,242
Right-of-use assets		2,987	3,949
Investment in an associate		24,246	23,935
Investment in a joint venture		13,618	13,910
Other investments		238	62
Intangible asset		571	571
Deferred tax assets		2,319	1,660
Receivables and deposits		292	292
Total non-current assets		46,649	46,621
Inventories		213,168	222,533
Receivables, deposits and prepayments		475,006	346,464
Cash and cash equivalents		74,246	72,652
Total current assets		762,420	641,649
TOTAL ASSETS		809,069	688,270
EQUITY			
Share capital		90,000	90,000
Reserves		295,243	285,827
Total equity attributable to owners of the Company		385,243	375,827
LIABILITIES			
Lease liabilities		1,107	2,103
Total non-current liabilities		1,107	2,103
Borrowings	23	14,000	-
Lease liabilities		1,960	1,921
Payables and accruals		400,299	301,448
Tax payable		6,460	6,971
Total current liabilities		422,719	310,340
Total liabilities		423,826	312,443
TOTAL EQUITY AND LIABILITIES		809,069	688,270
Net assets per share attributable to owners of the Company (RM)		1.08	1.05

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 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 SIX MONTHS ENDED 30 JUNE 2022**

	Note	Individual Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
		30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Revenue		708,085	563,899	1,351,842	1,232,876
Cost of sales		(670,731)	(534,722)	(1,281,883)	(1,171,084)
Gross profit		<u>37,354</u>	<u>29,177</u>	<u>69,959</u>	<u>61,792</u>
Distribution expenses		(12,758)	(11,127)	(25,308)	(23,105)
Administrative expenses		(5,918)	(5,672)	(11,815)	(11,404)
Net loss on impairment of financial instruments		(265)	(567)	(567)	(373)
Other (expense)/income	17	(1,457)	465	269	1,621
Results from operating activities		<u>16,956</u>	<u>12,276</u>	<u>32,538</u>	<u>28,531</u>
Finance income		103	362	177	792
Finance costs		(49)	(50)	(92)	(104)
Net finance income		54	312	85	688
Share of profit of equity-accounted associate, net of tax		233	315	670	582
Share of profit of equity-accounted joint venture, net of tax		174	171	308	306
Profit before tax		<u>17,417</u>	<u>13,074</u>	<u>33,601</u>	<u>30,107</u>
Tax expense	21	(4,406)	(3,187)	(8,708)	(7,487)
Profit for the period / Total comprehensive income for the period		<u>13,011</u>	<u>9,887</u>	<u>24,893</u>	<u>22,620</u>
Profit for the period / Total comprehensive income for the period attributable to:					
Owners of the Company		13,011	9,887	24,893	22,620
Non-controlling interest		-	-	-	-
		<u>13,011</u>	<u>9,887</u>	<u>24,893</u>	<u>22,620</u>
Earnings per share attributable to owners of the Company:					
Basic (sen)	26	3.6	2.8	7.0	6.3
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 2021 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 2022**

	<- 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 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
Dividends to owners of the Company	-	-	(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>
At 1 January 2022	90,000	(1,453)	287,280	375,827	-	375,827
Profit for the period / Total comprehensive income for the period	-	-	24,893	24,893	-	24,893
Own shares acquired	-	(495)	-	(495)	-	(495)
Dividends to owners of the Company	-	-	(14,982)	(14,982)	-	(14,982)
At 30 June 2022	<u>90,000</u>	<u>(1,948)</u>	<u>297,191</u>	<u>385,243</u>	<u>-</u>	<u>385,243</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 2021 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 2022**

	Note	Six Months Ended	
		30/06/2022 RM'000	30/06/2021 RM'000
Cash Flows from Operating Activities			
Profit before tax		33,601	30,107
<i>Adjustments for:</i>			
Non-cash items		2,238	1,694
Non-operating items		(1,063)	(1,576)
Operating profit before changes in working capital		34,776	30,225
Change in inventories		9,365	(93,295)
Change in receivables, deposits and prepayment		(127,812)	(7,637)
Change in payables and accruals		97,397	11,505
Cash generated from/(used in) operations		13,726	(59,202)
Tax paid	18(a)	(9,878)	(4,268)
Net cash from/(used in) operating activities		3,848	(63,470)
Cash Flows from Investing Activities			
Acquisition of plant and equipment		(583)	(253)
Proceeds from disposal of investment properties		-	9,000
Proceeds from disposal of plant and equipment		19	-
Purchase of other investment		(300)	-
Dividend income from an associate		359	800
Dividend income from a joint venture		600	-
Net cash from investing activities		95	9,547
Cash Flows from Financing Activities			
Proceeds from borrowings		14,000	-
Interest received		177	720
Interest paid		(92)	(104)
Payment of lease liabilities		(957)	(932)
Repurchase of treasury shares		(495)	-
Dividend paid		(14,982)	(8,033)
Net cash used in financing activities		(2,349)	(8,349)
Net increase/(decrease) in cash and cash equivalents		1,594	(62,272)
Cash and cash equivalents at beginning of period		72,652	98,325
Cash and cash equivalents at end of period		74,246	36,053
Cash and cash equivalents comprise the following:			
Cash and bank balances		74,246	36,053

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2022

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 2021.

The consolidated financial statements of the Group as at and for the financial year ended 31 December 2021 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 2021, except with the adoption of the following:

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

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRS 1 and MFRS 141 are not applicable to the Group.

The adoption of the above standards, interpretations or amendments are not expected to have material financial impact 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.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2022

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

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 except that the Company purchased its own shares totalling 446,000 ordinary shares amounted to RM495,000 in current financial year-to-date.

7. Dividends paid

A single-tier second interim dividend of 3.7 sen per share and special dividend of 0.5 sen per share, totalling 4.2 sen per share amounted to RM14,982,000 in respect of the financial year ended 31 December 2021 was paid in 11 May 2022.

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 2022</u>				
External revenue	624,183	658,813	68,846	1,351,842
Inter-segment revenue	7,506	5,733	5,984	19,223
Total revenue	<u>631,689</u>	<u>664,546</u>	<u>74,830</u>	<u>1,371,065</u>
Reportable segment profit before tax	<u>10,612</u>	<u>18,570</u>	<u>2,059</u>	<u>31,241</u>
<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>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2022

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 30/06/2022 RM'000	Preceding Year Corresponding Period 30/06/2021 RM'000
Total profit before tax for reportable segments	31,241	28,846
Other non-reportable segments profit	3,322	2,060
Eliminate of inter-segments profit	(962)	(799)
Consolidated profit before tax	<u>33,601</u>	<u>30,107</u>

(c) Disaggregation of the Group's revenue

	Current Year-to-date 30/06/2022		Preceding Year-to-date 30/06/2021	
	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	624,183	-	732,535	-
Enterprise Systems				
Commercial Desktop, PC and notebooks. Server, storage, software and networking products	658,813	-	464,375	-
ICT Services				
Services, cloud and maintenance	67,483	1,363	34,700	1,266
	<u>1,350,479</u>	<u>1,363</u>	<u>1,231,610</u>	<u>1,266</u>

(d) Segment assets

	As at 30/06/2022 RM'000	As at 31/12/2021 RM'000
ICT Distribution	550,701	461,246
Enterprise Systems	252,564	199,567
ICT Services	11,815	10,949
Total reportable segment assets	<u>815,080</u>	<u>671,762</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2022

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 30/06/2022 RM'000	As at 31/12/2021 RM'000
<u>Reconciliation of reportable segment assets:</u>		
Total reportable segment assets	815,080	671,762
Other non-reportable segments assets	126,607	142,874
Elimination of inter-segment balances	(132,618)	(126,366)
Consolidated total assets	809,069	688,270

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 30/06/2022 RM'000	As At 31/12/2021 RM'000
Guarantees to suppliers and licensed banks for trade credit facilities granted by holding company to Group entities	176,072	144,969

(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 2022

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 RM1,149,000.

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 30/06/2022 RM'000	Current Year To-date 30/06/2022 RM'000
Addition to plant and equipment	173	583

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 30/06/2022 RM'000	Balance Due From/(To) As at 30/06/2022 RM'000
Transactions with an affiliated company:		
Sales	249	-
Purchases	(39)	-
Transactions with a company in which a Director has interests:		
Lease liabilities	(480)	-
Administrative and accounting charges	5	1
Transactions with an associate company:		
Sales	374	186
Support services	(237)	(237)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2022

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
	30/06/2022	30/06/2021		To-date	Corresponding Period	
RM'000	RM'000	%	RM'000	RM'000	%	
Revenue	708,085	563,899	25.6	1,351,842	1,232,876	9.6
Gross profit	37,354	29,177	28.0	69,959	61,792	13.2
<i>GP margin %</i>	5.3%	5.2%		5.2%	5.0%	
Profit before tax	17,417	13,074	33.2	33,601	30,107	11.6
Profit for the period	13,011	9,887	31.6	24,893	22,620	10.0

Q2 FY2022 compared with Q2 FY2021

For Q2 FY2022, the revenue increased by 25.6% to RM708.1 million from RM563.9 million last year mainly contributed by Enterprise Systems with more project transactions. With higher sales, Gross Profit (GP) increased by 28.0% to RM37.4 million from RM29.2 million last year.

With higher sales and GP, Profit before tax (PBT) increased by 33.2% to RM17.4 million as compared to RM13.1 million last year.

Quarterly Segmental Result

The performance of the three business segments for Q2 FY2022 compared with Q2 FY2021 were as follows:

a) ICT Distribution

Revenue slightly decreased by 2.1% across all major products due to slow down in consumer market. However, with higher profit margin from products mix and lower operating expenses, PBT increased by 11.1% to RM5.8 million from RM5.2 million last year.

b) Enterprise Systems

Revenue increased by 56.6% mainly from commercial notebook and networking hardware and software. With higher sales and GP, PBT increased by 42.0% to RM9.5 million compared with RM6.7 million last year.

c) ICT Services

Revenue increased by RM16.5 million mainly from cloud services resulting in higher PBT by RM472,000.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2022

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 2022 compared with 30 June 2021

For first half FY2022, sales increased by 9.6% to RM1.35 billion compared with RM1.23 billion last year contributed by Enterprise Systems and ICT Services segments.

With higher sales and GP but lower interest income due to lower cash balance, the profit before tax (PBT) increased by 11.6% to RM33.6 million compared with RM30.1 million last year.

Year-to-date Segmental Result

The performance of the three business segments for 6 months period ended 30 June 2022 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue decreased by 14.8% across all products except for consumer notebook. With lower sales and GP, the PBT decreased by 15.7% to RM10.6 million as compared to RM12.6 million last year.

b) Enterprise Systems

Revenue increased by 41.9% mainly from commercial notebook and networking hardware. With higher sales and GP, PBT increased by 23.0% to RM18.6 million as compared to RM15.1 million last year.

c) ICT Services

Revenue increased by RM32.9 million mainly from cloud services. With higher sales and GP, PBT increased by 75.8% to RM2.1 million as compared to RM1.2 million last year.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2022
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 30/06/2022 RM'000	Immediate Preceding Quarter 31/03/2022 RM'000	Changes %
Revenue	708,085	643,757	10.0
Gross Profit	37,354	32,605	14.6
<i>GP margin %</i>	5.3%	5.1%	
Share of profit of equity-accounted associate, net of tax	233	437	(46.7)
Share of profit of equity-accounted joint venture, net of tax	174	134	29.9
Profit before tax	17,417	16,184	7.6
Profit for the period	13,011	11,882	9.5

Q2 FY2022 revenue was higher by 10.0% at RM708.1 million from RM643.8 million contributed by Enterprise Systems with sales increased by 28.8% from project deals. While ICT Distribution Segment and ICT Services recorded lower sales by 5.6% and 1.7% respectively compared to previous quarter.

With higher gross profit, PBT increased by 7.6% to RM17.4 million compared to RM16.2 million previous quarter.

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

	Individual Quarter		Cumulative Quarter	
	Current Year 30/06/2022 RM'000	Preceding Year Corresponding Quarter 30/06/2021 RM'000	Current Year To-date 30/06/2022 RM'000	Preceding Year Corresponding Period 30/06/2021 RM'000
Depreciation	(702)	(685)	(1,408)	(1,368)
Written down of inventories	(919)	(417)	(2,482)	(1,048)
Other (expense)/income:				
Bad debts recovered	-	23	186	24
Foreign exchange gain - Realised	155	794	688	1,918
Foreign exchange (loss)/gain - Unrealised	(2,771)	980	(3,176)	(2,174)
Fair value gain/(loss) on forward exchange contract	1,131	(1,333)	2,452	1,850
Fair value loss on other investment	(51)	-	(124)	-
Gain/(Loss) on fixed assets disposal/written off	18	(2)	18	(2)
Government grant	46	-	159	-
Others	15	3	66	5
	(1,457)	465	269	1,621

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2022

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 the 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 in current quarter.

18. Commentaries and disclosure of other information

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

Tax payment was higher at RM9.9 million compared to RM4.3 million last year after adjusted for higher payment schedule reference to higher profit last year; and prior years tax adjustment of RM707,000.

(b) Trade receivables

Trade receivables have a credit term ranging from 14 to 60 days. Aging analysis of trade receivables as at 30 June 2022 were as follows:

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Current (not past due)	235,820	-	235,820
Past due 1 - 30 days	145,979	-	145,979
Past due 31 - 60 days	54,999	-	54,999
Past due 61 - 90 days	17,870	-	17,870
	<hr/> 454,668	-	454,668
Past due more than 90 days	3,249	(1,068)	2,181
Individual impaired	2	(2)	-
	<hr/> 457,919	(1,070)	<hr/> 456,849

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 2022

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

19. Prospects

Economists are optimistic that Malaysia's economy is expected to continue its growth in the second half of 2022 amid rising inflation pressure. Government maintained its growth projection for Malaysia's gross domestic product of 6% on the back of economic reopening and the absence of strict movement control.

Bank Negara Malaysia predicts the country's inflation will accelerate in the coming months and peak at 4% this year; but for the last few months most of the basic food and products had increased prices substantially.

Consumer demand for ICT devices has declined and is expected to remain challenging amid high inflation. However, our on hand orders from Education sector for PC notebook will maintain our ICT devices sales revenue.

The Enterprise project sales pipelines are strong, but deployment continues to be delayed due to the global shortage in chip components.

In view of the high inflation rate impacting consumer purchasing sentiment, delays in implementation of Enterprise projects, and the global uncertainties, we are cautious on Q3 and the remaining of 2022.

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
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Current year	4,921	3,401	9,367	7,978
Under/(Over) provision prior year	-	-	-	-
	<u>4,921</u>	<u>3,401</u>	<u>9,367</u>	<u>7,978</u>
Deferred tax	(515)	(214)	(659)	(491)
	<u>4,406</u>	<u>3,187</u>	<u>8,708</u>	<u>7,487</u>
Effective tax rate	25.3%	24.4%	25.9%	24.9%

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 2022

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

22. Corporate proposals

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

23. Borrowings and debt securities

The Group's borrowings as at 30 June 2022 were as follows:

	Unsecured RM'000
Short-term borrowings:	
Banker's Acceptance	14,000
Total	<u>14,000</u>

There were no borrowings denominated in foreign currency as at end of 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 30/06/2022	Preceding Year Corresponding Quarter 30/06/2021	Current Year To-date 30/06/2022	Preceding Year Corresponding Period 30/06/2021
Profit attributable to equity holders of the Company (RM'000)	13,011	9,887	24,893	22,620
Weighted average number of ordinary shares ('000)	356,693	357,002	356,682	357,002
Basic earnings per share (sen)	3.6	2.8	7.0	6.3
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 SIX MONTHS ENDED 30 JUNE 2022

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 2021.

By order of the Board

Chua Siew Chuan
Cheng Chia Ping
Company Secretaries

23 August 2022
Selangor