

VSTECS BERHAD

[Registration No: 199501021835 (351038-H)]

(Incorporated in Malaysia)


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

	Note	As At 30/09/2022 RM'000	As At 31/12/2021 RM'000
ASSETS			
Plant and equipment		3,133	2,242
Right-of-use assets		2,631	3,949
Investment in an associate		25,200	23,935
Investment in a joint venture		13,353	13,910
Other investments		250	62
Intangible asset		571	571
Deferred tax assets		1,662	1,660
Receivables and deposits		1,465	292
Total non-current assets		48,265	46,621
Inventories		262,443	222,533
Receivables, deposits and prepayments		437,035	346,464
Cash and cash equivalents		57,940	72,652
Total current assets		757,418	641,649
TOTAL ASSETS		805,683	688,270
EQUITY			
Share capital		90,000	90,000
Reserves		311,778	285,827
Total equity attributable to owners of the Company		401,778	375,827
LIABILITIES			
Lease liabilities		728	2,103
Total non-current liabilities		728	2,103
Borrowings	23	9,000	-
Lease liabilities		1,979	1,921
Payables and accruals		387,410	301,448
Tax payable		4,788	6,971
Total current liabilities		403,177	310,340
Total liabilities		403,905	312,443
TOTAL EQUITY AND LIABILITIES		805,683	688,270
Net assets per share attributable to owners of the Company (RM)		1.13	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.

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 NINE MONTHS ENDED 30 SEPTEMBER 2022**

	Note	Individual Quarter Three Months Ended		Cumulative Quarter Nine Months Ended	
		30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Revenue		735,534	629,567	2,087,376	1,862,443
Cost of sales		(695,625)	(595,913)	(1,977,508)	(1,766,997)
Gross profit		<u>39,909</u>	<u>33,654</u>	<u>109,868</u>	<u>95,446</u>
Distribution expenses		(12,933)	(12,175)	(38,241)	(35,280)
Administrative expenses		(6,269)	(5,959)	(18,084)	(17,363)
Net (loss)/gain on impairment of financial instruments		(900)	193	(1,467)	(180)
Other income	17	1,597	187	1,866	1,808
Results from operating activities		<u>21,404</u>	<u>15,900</u>	<u>53,942</u>	<u>44,431</u>
Finance income		105	209	282	1,001
Finance costs		(171)	(56)	(263)	(160)
Net finance (expense)/income		(66)	153	19	841
Share of profit of equity-accounted associate, net of tax		954	793	1,624	1,375
Share of profit of equity-accounted joint venture, net of tax		135	136	443	442
Profit before tax		<u>22,427</u>	<u>16,982</u>	<u>56,028</u>	<u>47,089</u>
Tax expense	21	(5,892)	(4,426)	(14,600)	(11,913)
Profit for the period / Total comprehensive income for the period		<u>16,535</u>	<u>12,556</u>	<u>41,428</u>	<u>35,176</u>
Profit for the period / Total comprehensive income for the period attributable to:					
Owners of the Company		16,535	12,556	41,428	35,176
Non-controlling interest		-	-	-	-
		<u>16,535</u>	<u>12,556</u>	<u>41,428</u>	<u>35,176</u>
Earnings per share attributable to owners of the Company:					
Basic (sen)	26	4.6	3.5	11.6	9.9
Diluted (sen)		N/A	N/A	N/A	N/A

Notes:

N/A Not applicable

VSTECS BERHAD

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



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.

VSTECS BERHAD

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



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	35,176	35,176	-	35,176
Dividends to owners of the Company	-	-	(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>
At 1 January 2022	90,000	(1,453)	287,280	375,827	-	375,827
Profit for the period / Total comprehensive income for the period	-	-	41,428	41,428	-	41,428
Own shares acquired	-	(495)	-	(495)	-	(495)
Dividends to owners of the Company	-	-	(14,982)	(14,982)	-	(14,982)
At 30 September 2022	<u>90,000</u>	<u>(1,948)</u>	<u>313,726</u>	<u>401,778</u>	<u>-</u>	<u>401,778</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.

VSTECS BERHAD

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



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR NINE MONTHS ENDED 30 SEPTEMBER 2022**

	Note	Nine Months Ended	
		30/09/2022 RM'000	30/09/2021 RM'000
Cash Flows from Operating Activities			
Profit before tax		56,028	47,089
<i>Adjustments for:</i>			
Non-cash items		654	2,508
Non-operating items		(2,086)	(2,658)
Operating profit before changes in working capital		54,596	46,939
Change in inventories		(39,910)	(72,463)
Change in receivables, deposits and prepayment		(84,127)	18,339
Change in payables and accruals		79,916	40,526
Cash generated from operations		10,475	33,341
Tax paid	18(a)	(16,785)	(6,933)
Net cash (used in)/from operating activities		(6,310)	26,408
Cash Flows from Investing Activities			
Acquisition of plant and equipment		(1,587)	(605)
Proceeds from disposal of investment properties		-	9,000
Proceeds from disposal of plant and equipment		22	-
Purchase of other investment		(300)	-
Dividend income from an associate		359	800
Dividend income from a joint venture		1,000	600
Net cash (used in)/from investing activities		(506)	9,795
Cash Flows from Financing Activities			
Proceeds from borrowings		9,000	-
Interest received		282	891
Interest paid		(263)	(160)
Payment of lease liabilities		(1,438)	(1,398)
Repurchase of treasury shares		(495)	-
Dividend paid		(14,982)	(8,033)
Net cash used in financing activities		(7,896)	(8,700)
Net (decrease)/increase in cash and cash equivalents		(14,712)	27,503
Cash and cash equivalents at beginning of period		72,652	98,325
Cash and cash equivalents at end of period		57,940	125,828
Cash and cash equivalents comprise the following:			
Cash and bank balances		57,940	125,828

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 NINE MONTHS ENDED 30 SEPTEMBER 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 NINE MONTHS ENDED 30 SEPTEMBER 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>9 months financial period ended 30 September 2022</u>				
External revenue	941,665	1,036,628	109,083	2,087,376
Inter-segment revenue	11,265	7,996	9,725	28,986
Total revenue	<u>952,930</u>	<u>1,044,624</u>	<u>118,808</u>	<u>2,116,362</u>
Reportable segment profit before tax	<u>17,477</u>	<u>31,204</u>	<u>3,417</u>	<u>52,098</u>
<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>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 30/09/2022 RM'000	Preceding Year Corresponding Period 30/09/2021 RM'000
Total profit before tax for reportable segments	52,098	44,802
Other non-reportable segments profit	26,002	8,187
Eliminate of inter-segments profit	(22,072)	(5,900)
Consolidated profit before tax	56,028	47,089

(c) Disaggregation of the Group's revenue

	Current Year-to-date 30/09/2022		Preceding Year-to-date 30/09/2021	
	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	941,665	-	1,073,815	-
Enterprise Systems				
Commercial Desktop, PC and notebooks. Server, storage, software and networking products	1,036,628	-	714,668	-
ICT Services				
Services, cloud and maintenance	107,503	1,580	72,336	1,624
	2,085,796	1,580	1,860,819	1,624

(d) Segment assets

	As at 30/09/2022 RM'000	As at 31/12/2021 RM'000
ICT Distribution	491,760	461,246
Enterprise Systems	293,017	199,567
ICT Services	11,066	10,949
Total reportable segment assets	795,843	671,762

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 30/09/2022 RM'000	As at 31/12/2021 RM'000
<u>Reconciliation of reportable segment assets:</u>		
Total reportable segment assets	795,843	671,762
Other non-reportable segments assets	145,929	142,874
Elimination of inter-segment balances	(136,089)	(126,366)
Consolidated total assets	805,683	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 30/09/2022 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	145,441	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 NINE MONTHS ENDED 30 SEPTEMBER 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 RM300,000.

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 30/09/2022 RM'000	Current Year To-date 30/09/2022 RM'000
Addition to plant and equipment	1,004	1,587

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 30/09/2022 RM'000	Balance Due From/(To) As at 30/09/2022 RM'000
Transactions with an affiliated company:		
Sales	249	-
Purchases	(39)	-
Transactions with a company in which a Director has interests:		
Lease liabilities	(1,440)	-
Administrative and accounting charges	7	(2)
Transactions with an associate company:		
Sales	431	23
Support services	(237)	(137)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 30/09/2022 RM'000	Preceding Year Corresponding Quarter 30/09/2021 RM'000	Changes %	Current Year To-date 30/09/2022 RM'000	Preceding Year Corresponding Period 30/09/2021 RM'000	Changes %
Revenue	735,534	629,567	16.8	2,087,376	1,862,443	12.1
Gross profit	39,909	33,654	18.6	109,868	95,446	15.1
<i>GP margin %</i>	<i>5.4%</i>	<i>5.3%</i>		<i>5.3%</i>	<i>5.1%</i>	
Profit before tax	22,427	16,982	32.1	56,028	47,089	19.0
Profit for the period	16,535	12,556	31.7	41,428	35,176	17.8

Q3 FY2022 compared with Q3 FY2021

For Q3 FY2022, the revenue increased by 16.8% to RM735.5 million from RM629.6 million last year mainly contributed by Enterprise Systems with more project transactions. With higher sales, Gross Profit (GP) increased by 18.6% to RM39.9 million from RM33.7 million last year.

With higher sales and GP, Profit before tax (PBT) increased by 32.1% to RM22.4 million as compared to RM17.0 million last year.

Quarterly Segmental Result

The performance of the three business segments for Q3 FY2022 compared with Q3 FY2021 were as follows:

a) ICT Distribution

Revenue and GP decreased by 7.0% and 8.2% respectively mainly from tablets, desktop PC and consumable products due to slow down in consumer market. However PBT increased by 8.9% to RM6.9 million from RM6.3 million last year due to forex fair value gain.

b) Enterprise Systems

Revenue increased by 51.0% across all major products. With higher sales and GP, PBT increased by 52.3% to RM12.6 million compared with RM8.3 million last year.

c) ICT Services

Revenue increased by RM2.2 million and GP increased by RM247,000 from maintenance services. However, PBT maintained at RM1.4 million after accounting for higher operating expenses.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2022

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 2022 compared with 30 September 2021

For the 9 months ended 30 September 2022, the revenue increased by 12.1% to RM2.09 billion compared with RM1.86 billion last year contributed mainly by Enterprise Systems.

With higher sales and GP but lower interest income due to lower cash balance, the profit before tax (PBT) increased by 19.0% to RM56.0 million compared with RM47.1 million last year.

Year-to-date Segmental Result

The performance of the three business segments for 9 months period ended 30 September 2022 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue decreased by 12.3% across all products except for consumer notebook. With lower sales and GP, the PBT decreased by 7.5% to RM17.5 million as compared to RM18.9 million last year.

b) Enterprise Systems

Revenue increased by 45.1% across all major products. With higher sales and GP, PBT increased by 33.4% to RM31.2 million as compared to RM23.4 million last year.

c) ICT Services

Revenue increased by RM35.1 million from maintenance and cloud services. With higher sales and GP, PBT increased by 35.1% to RM3.4 million as compared to RM2.5 million last year.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 30/09/2022 RM'000	Immediate Preceding Quarter 30/06/2022 RM'000	Changes %
Revenue	735,534	708,085	3.9
Gross Profit	39,909	37,354	6.8
<i>GP margin %</i>	5.4%	5.3%	
Share of profit of equity-accounted associate, net of tax	954	233	309.4
Share of profit of equity-accounted joint venture, net of tax	135	174	(22.4)
Profit before tax	22,427	17,417	28.8
Profit for the period	16,535	13,011	27.1

Q3 FY2022 revenue was higher by 3.9% at RM735.5 million from RM708.1 million contributed from the increase in ICT Distribution by 4.8%, Enterprise Systems by 1.9% and ICT Services by 17.9% as compared to previous quarter. With higher revenue and GP from all three segments, the PBT increased by 28.8% compared to previous quarter.

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2022 RM'000	Preceding Year Corresponding Quarter 30/09/2021 RM'000	Current Year To-date 30/09/2022 RM'000	Preceding Year Corresponding Period 30/09/2021 RM'000
Depreciation	(726)	(688)	(2,134)	(2,056)
Written back/(down) of inventories	1,029	(174)	(1,453)	(1,222)
Other (expense)/income:				
Bad debts recovered	2	-	188	24
Foreign exchange (loss)/gain - Realised	(750)	153	(62)	2,071
Foreign exchange (loss)/gain - Unrealised	(4,592)	775	(7,768)	(1,399)
Fair value gain/(loss) on forward exchange contract	6,887	(894)	9,339	956
Fair value gain/(loss) on other investment	12	-	(112)	-
Gain/(Loss) on fixed assets disposal/written off	-	(7)	18	(9)
Government grant	2	156	161	156
Others	36	4	102	9
	1,597	187	1,866	1,808

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 RM16.8 million compared to RM6.9 million last year due to higher monthly tax payment in reference to higher profit last year; and prior year's 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 September 2022 were as follows:

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Current (not past due)	219,098	-	219,098
Past due 1 - 30 days	129,368	-	129,368
Past due 31 - 60 days	36,948	-	36,948
Past due 61 - 90 days	14,658	-	14,658
	<hr/> 400,072	-	400,072
Past due more than 90 days	5,965	(1,966)	3,999
Individual impaired	2	(2)	-
	<hr/> 406,039	(1,968)	<hr/> 404,071

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 2022

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

19. Prospects

The World Bank raised Malaysia 2022 economic GDP growth forecast to 6.4%, as the country had faster growth in the second quarter and expected a strong performance in the second half of the year.

Malaysia's annual inflation rate increased to a 16-month high in August 2022. The spike in the inflation rate and the weakening of Malaysian Ringgit against US dollar have dampened the overall consumer buying confidence.

The consumer spending on IT products has stabilized in Q3; after a decline of notebook and tablet unit shipments for the first 2 quarters of the year. We expect sales of consumer notebooks and tablets to improve in Q4 2022.

The demand for IT infrastructure, datacentre equipment, software and cloud computing continues to grow. Public sector and enterprises are rushing to upgrade their existing infrastructure to enhance their business solutions.

The shortages of components in the enterprise products continue to delay many project implementations. The general election and political uncertainties may impact some of the public sector projects. We are cautiously optimistic on 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
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Current year	4,925	4,165	14,292	12,143
Under provision prior year	310	460	310	460
	<u>5,235</u>	<u>4,625</u>	<u>14,602</u>	<u>12,603</u>
Deferred tax	657	(199)	(2)	(690)
	<u>5,892</u>	<u>4,426</u>	<u>14,600</u>	<u>11,913</u>
Effective tax rate	26.3%	26.1%	26.1%	25.3%

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 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 September 2022 were as follows:

	Unsecured RM'000
Short-term borrowings:	
Banker's Acceptance	9,000
Total	<u>9,000</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

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 2022.

The dividend will be paid on 18 January 2023 in respective of deposited securities as at 22 December 2022.

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 30/09/2022	Preceding Year Corresponding Quarter 30/09/2021	Current Year To-date 30/09/2022	Preceding Year Corresponding Period 30/09/2021
Profit attributable to equity holders of the Company (RM'000)	16,535	12,556	41,428	35,176
Weighted average number of ordinary shares ('000)	356,555	357,002	356,725	357,002
Basic earnings per share (sen)	4.6	3.5	11.6	9.9
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)



UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 November 2022
Selangor