

VSTECS BERHAD

[Registration No: 199501021835 (351038-H)]

(Incorporated in Malaysia)


**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	Note	As At 30/06/2023 RM'000	As At 31/12/2022 RM'000
ASSETS			
Plant and equipment		2,923	3,051
Right-of-use assets		1,208	2,150
Intangible asset		571	571
Investment in an associate		26,069	25,760
Investment in a joint venture		13,389	13,463
Other investments		164	231
Deferred tax assets		3,655	4,328
Total non-current assets		47,979	49,554
Inventories		169,566	253,198
Receivables, deposits and prepayments		448,088	364,443
Tax recoverable		486	202
Cash and cash equivalents		87,183	46,595
Total current assets		705,323	664,438
TOTAL ASSETS		753,302	713,992
EQUITY			
Share capital		90,000	90,000
Reserves		338,420	321,116
Total equity attributable to owners of the Company		428,420	411,116
LIABILITIES			
Lease liabilities		257	308
Total non-current liabilities		257	308
Borrowings	23	11,500	13,500
Lease liabilities		991	1,919
Payables and accruals		303,164	279,786
Tax payable		8,970	7,363
Total current liabilities		324,625	302,568
Total liabilities		324,882	302,876
TOTAL EQUITY AND LIABILITIES		753,302	713,992
Net assets per share attributable to owners of the Company (RM)		1.20	1.15

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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(Incorporated in Malaysia)


**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2023**

	Note	Individual Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
		30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Revenue		608,791	708,085	1,273,533	1,351,842
Cost of sales		(573,098)	(670,731)	(1,199,928)	(1,281,883)
Gross profit		<u>35,693</u>	<u>37,354</u>	<u>73,605</u>	<u>69,959</u>
Distribution expenses		(12,551)	(12,758)	(25,913)	(25,308)
Administrative expenses		(6,552)	(5,918)	(13,063)	(11,815)
Net gain/(loss) on impairment of financial instruments		877	(265)	(403)	(381)
Other income/(expense)	17	2,550	(1,457)	5,150	83
Results from operating activities		<u>20,017</u>	<u>16,956</u>	<u>39,376</u>	<u>32,538</u>
Finance income		375	103	535	177
Finance costs		(192)	(49)	(505)	(92)
Net finance income		183	54	30	85
Share of profit of equity-accounted associate, net of tax		361	233	888	670
Share of profit of equity-accounted joint venture, net of tax		170	174	326	308
Profit before tax		<u>20,731</u>	<u>17,417</u>	<u>40,620</u>	<u>33,601</u>
Tax expense	21	(5,081)	(4,406)	(10,123)	(8,708)
Profit for the period/ Total comprehensive income for the period		<u>15,650</u>	<u>13,011</u>	<u>30,497</u>	<u>24,893</u>
Profit for the period/ Total comprehensive income for the period attributable to:					
Owners of the Company		15,650	13,011	30,497	24,893
Non-controlling interest		-	-	-	-
		<u>15,650</u>	<u>13,011</u>	<u>30,497</u>	<u>24,893</u>
Earnings per share attributable to owners of the Company:					
Basic (sen)	26	4.4	3.6	8.6	7.0
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 2022 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 2023**

	<- 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 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
Owens 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>
At 1 January 2023	90,000	(1,948)	323,064	411,116	-	411,116
Profit for the period/ Total comprehensive income for the period	-	-	30,497	30,497	-	30,497
Dividends to owners of the Company	-	-	(13,193)	(13,193)	-	(13,193)
At 30 June 2023	<u>90,000</u>	<u>(1,948)</u>	<u>340,368</u>	<u>428,420</u>	<u>-</u>	<u>428,420</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 2022 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 2023**

	Note	Six Months Ended	
		30/06/2023 RM'000	30/06/2022 RM'000
Cash Flows from Operating Activities			
Profit before tax		40,620	33,601
<i>Adjustments for:</i>			
Non-cash items		(1,465)	2,238
Non-operating items		(1,244)	(1,063)
Operating profit before changes in working capital		37,911	34,776
Change in inventories		83,632	9,365
Change in receivables, deposits and prepayment		(80,066)	(127,812)
Change in payables and accruals		31,769	97,397
Cash generated from operations		73,246	13,726
Tax paid	18(a)	(8,127)	(9,878)
Net cash from operating activities		65,119	3,848
Cash Flows from Investing Activities			
Acquisition of plant and equipment		(440)	(583)
Proceeds from disposal of plant and equipment		7	19
Purchase of other investment		-	(300)
Dividend income from an associate		579	359
Dividend income from a joint venture		400	600
Net cash from investing activities		546	95
Cash Flows from Financing Activities			
(Repayment of)/Proceeds from borrowings		(2,000)	14,000
Interest received		535	177
Interest paid		(505)	(92)
Payment of lease liabilities		(1,000)	(957)
Repurchase of treasury shares		-	(495)
Dividend paid		(22,107)	(14,982)
Net cash used in financing activities		(25,077)	(2,349)
Net increase in cash and cash equivalents		40,588	1,594
Cash and cash equivalents at beginning of period		46,595	72,652
Cash and cash equivalents at end of period		87,183	74,246
Cash and cash equivalents comprise the following:			
Cash and bank balances		87,183	74,246

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2023

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 2022.

The consolidated financial statements of the Group as at and for the financial year ended 31 December 2022 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 2022, except with the adoption of the following:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform - Pillar Two Model Rules*

MFRS 17 and amendments to MFRS 17 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 2023

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 in the current financial year-to-date.

7. Dividends paid

A single-tier first interim dividend of 2.5 sen per share totalling RM8,914,000 in respect of the financial year ended 31 December 2022 was paid on 18 January 2023.

A single-tier second interim dividend of 3.7 sen per share, totalling RM13,193,000 in respect of the financial year ended 31 December 2022 was paid on 16 May 2023.

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.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2023

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

8. Segmental reporting (continue)

(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 2023</u>				
External revenue	445,015	724,486	104,032	1,273,533
Inter-segment revenue	1,527	6,690	6,388	14,605
Total revenue	<u>446,542</u>	<u>731,176</u>	<u>110,420</u>	<u>1,288,138</u>
Reportable segment profit before tax	<u>10,096</u>	<u>24,052</u>	<u>4,295</u>	<u>38,443</u>
<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>

(b) Reconciliation of reportable segment profit and loss:

	Current Year To-date 30/06/2023 RM'000	Preceding Year Corresponding Period 30/06/2022 RM'000
Total profit before tax for reportable segments	38,443	31,241
Other non-reportable segments profit	3,154	3,322
Eliminate of inter-segments profit	(977)	(962)
Consolidated profit before tax	<u>40,620</u>	<u>33,601</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2023

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

8. Segmental reporting (continue)

(c) Disaggregation of the Group's revenue

	Current Year-to-date 30/06/2023		Preceding Year-to-date 30/06/2022	
	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	445,015	-	624,183	-
Enterprise Systems				
Commercial Desktop, PC and notebooks. Server, storage, software and networking products	724,486	-	658,813	-
ICT Services				
Services, cloud and maintenance	103,078	954	67,483	1,363
	1,272,579	954	1,350,479	1,363

(d) Segment assets

	As at 30/06/2023 RM'000	As at 31/12/2022 RM'000
ICT Distribution	467,747	437,876
Enterprise Systems	240,326	252,801
ICT Services	12,021	11,581
Total reportable segment assets	720,094	702,258
	As at 30/06/2023 RM'000	As at 31/12/2022 RM'000
<u>Reconciliation of reportable segment assets:</u>		
Total reportable segment assets	720,094	702,258
Other non-reportable segments assets	125,792	149,244
Elimination of inter-segment balances	(92,584)	(137,510)
Consolidated total assets	753,302	713,992

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.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2023

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

9. Material events subsequent to the end of the financial period

There were no material events subsequent to the end of the financial period under review that have not been reflected in the quarterly financial statements.

10. Changes in the composition of the Group

There were no changes in the composition of the Group.

11. Contingent liabilities and contingent assets

(a) Contingent liabilities

	As At 30/06/2023 RM'000	As At 31/12/2022 RM'000
Guarantees to suppliers and licensed banks for trade credit facilities granted by holding company to Group entities	157,527	145,208

(b) Contingent assets

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

12. Capital commitments

The capital expenditure contracted but not provided for as at the end of the current financial period amounted to RM736,000.

13. Capital expenditure

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

	Current Year Quarter 30/06/2023 RM'000	Current Year To-date 30/06/2023 RM'000
Addition to plant and equipment	147	440

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2023**PART A EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING****14. Related party transactions**

Related parties are those defined under MFRS 124, *Related Party Disclosures*. The Directors are of the opinion that the related party transactions and balances described below were carried out in the ordinary course of business and had been established on negotiated terms.

	Current Year To-date 30/06/2023 RM'000	Balance Due From/(To) As at 30/06/2023 RM'000
Transactions with an affiliated company:		
Purchases	(8)	-
Support services	(141)	(141)
Transactions with joint venture company:		
Lease liabilities	(960)	-
Administrative and accounting charges	7	5
Transactions with an associate company:		
Sales	297	147
Support services	(138)	(92)
	<hr/>	<hr/>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2023

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 30/06/2023 RM'000	Preceding Year Corresponding Quarter 30/06/2022 RM'000	Changes %	Current Year To-date 30/06/2023 RM'000	Preceding Year Corresponding Period 30/06/2022 RM'000	Changes %
Revenue	608,791	708,085	(14.0)	1,273,533	1,351,842	(5.8)
Gross profit	35,693	37,354	(4.4)	73,605	69,959	5.2
<i>GP margin %</i>	5.9%	5.3%		5.8%	5.2%	
Profit before tax	20,731	17,417	19.0	40,620	33,601	20.9
Profit for the period	15,650	13,011	20.3	30,497	24,893	22.5

Q2 FY2023 compared with Q2 FY2022

For Q2 FY2023, the revenue decreased by 14.0% to RM608.8 million from RM708.1 million last year mainly due to slow down in consumer market. Despite of lower sales and Gross Profit (GP) amount, the GP margin as percentage increased from 5.3% to 5.9%, mainly contributed from the Enterprise Systems business.

Profit before tax (PBT) increased by 19.0% to RM20.7 million as compared to RM17.4 million last year after accounted for higher forex fair value gain by RM4.0 million.

Quarterly Segmental Result

The performance of the three business segments for Q2 FY2023 compared with Q2 FY2022 were as follows:

a) ICT Distribution

Revenue decreased by 32.4% across all major products due to slow down in consumer market. With lower sales and GP, PBT decreased by 27.5% to RM4.2 million compared with RM5.8 million last year.

b) Enterprise Systems

Revenue decreased by 6.0% mainly from commercial notebook and enterprise software. However, with higher GP margin of 6.2% compared with 5.7% last year; and higher forex fair value gain by RM3.5 million, PBT increased by 34.8% to RM12.8 million compared with RM9.5 million last year.

c) ICT Services

Revenue increased by RM21.4 million from cloud and maintenance services. With higher sales and GP, PBT increased by RM1.8 million to RM2.8 million from RM1.0 million last year.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2023

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 2023 compared with 30 June 2022

For first half FY2022, sales decreased by 5.8% to RM1.27 billion compared with RM1.35 billion last year mainly due to slow down in consumer market but was mitigated by higher sales from Enterprise Systems and ICT Services segments.

With higher GP margin of 5.8% compared to 5.2% last year, and higher forex fair value gain by RM5.2 million, PBT increased by 20.9% to RM40.6 million as compared to RM33.6 million last year.

Year-to-date Segmental Result

The performance of the three business segments for 6 months period ended 30 June 2023 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue decreased by 28.7% across all major products. With lower sales and GP, PBT decreased by 4.9% to RM10.1 million as compared to RM10.6 million last year.

b) Enterprise Systems

Revenue increased by 10.0% across all major products. With higher sales and forex fair value gain by RM5.1 million, PBT increased by 29.5% to RM24.1 million as compared to RM18.6 million last year.

c) ICT Services

Revenue increased by RM35.2 million from maintenance and cloud services. With higher sales and GP, PBT increased by 108.6% to RM4.3 million as compared to RM2.1 million last year.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2023
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 30/06/2023 RM'000	Immediate Preceding Quarter 31/03/2023 RM'000	Changes %
Revenue	608,791	664,742	(8.4)
Gross Profit	35,693	37,912	(5.9)
<i>GP margin %</i>	5.9%	5.7%	
Share of profit of equity-accounted associate, net of tax	361	527	(31.5)
Share of profit of equity-accounted joint venture, net of tax	170	156	9.0
Profit before tax	20,731	19,889	4.2
Profit for the period	15,650	14,847	5.4

Q2 FY2023 revenue was lower by 8.4% at RM608.8 million from RM664.7 million caused by lower sales from Distribution Segment and Enterprise Systems which decreased by 14.8% and 7.3% respectively. While ICT Services recorded higher sales by 14.5% compared to previous quarter.

Despite lower sales and GP, PBT increased by 4.2% to RM20.7 million compared with RM19.9 million after accounted for lower impairment of financial instruments by RM2.2 million.

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2023 RM'000	Preceding Year Corresponding Quarter 30/06/2022 RM'000	Current Year To-date 30/06/2023 RM'000	Preceding Year Corresponding Period 30/06/2022 RM'000
Depreciation	(758)	(702)	(1,519)	(1,408)
Written down of inventories	(652)	(919)	(1,273)	(2,482)
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<u>Other income/(expense):</u>				
Foreign exchange gain - Realised	1,294	155	2,150	688
Foreign exchange loss - Unrealised	(2,512)	(2,771)	(5,067)	(3,176)
Fair value gain on forward exchange contract	3,773	1,131	8,123	2,452
Fair value loss on other investment	(21)	(51)	(67)	(124)
Gain/(Loss) on fixed assets disposal/written off	1	18	(5)	18
Government grant	-	46	-	159
Others	15	15	16	66
	2,550	(1,457)	5,150	83

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2023

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 last year. This was due to additional tax payment of RM707,000 for previous assessment years and higher tax instalment from 11th month revision for Year of Assessment 2021.

(b) Trade receivables

Trade receivables have a credit term ranging from 14 to 60 days. Aging analysis of trade receivables as at 30 June 2023 were as follows:

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Current (not past due)	183,949	-	183,949
Past due 1 - 30 days	184,794	-	184,794
Past due 31 - 60 days	28,569	-	28,569
Past due 61 - 90 days	21,496	-	21,496
	<hr/>		
	418,808	-	418,808
Past due more than 90 days	8,402	(1,166)	7,236
Individual impaired	-	-	-
	<hr/>		
	427,210	(1,166)	426,044
	<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 2023

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

19. Prospects

Despite the overall economic slowdown felt by most businesses starting Q2 2023, Bank Negara Malaysia is maintaining its growth forecast for the country's gross domestic product (GDP) at 4% - 5% this year.

The Statistic Department's announcement that Malaysia's inflation has dropped from 2.8% to 2.4% in June 2023 brought relief to consumers but the Malaysian Ringgit continues to fluctuate against the US Dollar.

Demand for consumer ICT products continues to drop and this worldwide trend is expected to continue into 2024. Commercial and enterprise projects are keeping their pace but there is a dearth of large public sector projects.

On a positive note, we are capitalising on many datacentre opportunities in Malaysia and are well-positioned to supply them with a complete solution comprising ICT products like servers, storage systems, network devices and enterprise software as well as the digital power of UPS (Uninterrupted Power Supply), racking and cooling solutions.

Overall, we remain cautious on prospects for Q3 2023 and the balance of the year.

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
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Current year	4,343	4,921	9,450	9,367
Under provision prior year	-	-	-	-
	<u>4,343</u>	<u>4,921</u>	<u>9,450</u>	<u>9,367</u>
Deferred tax	738	(515)	673	(659)
	<u>5,081</u>	<u>4,406</u>	<u>10,123</u>	<u>8,708</u>
Effective tax rate	24.5%	25.3%	24.9%	25.9%

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 2023

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 2023 were as follows:

	Unsecured RM'000
Short-term borrowings:	
Banker's Acceptances	11,500
Total	<u>11,500</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 30/06/2023	Preceding Year Corresponding Quarter 30/06/2022	Current Year To-date 30/06/2023	Preceding Year Corresponding Period 30/06/2022
Profit attributable to equity holders of the Company (RM'000)	15,650	13,011	30,497	24,893
Weighted average number of ordinary shares ('000)	356,555	356,693	356,555	356,682
Basic earnings per share (sen)	4.4	3.6	8.6	7.0
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 SIX MONTHS ENDED 30 JUNE 2023

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 2022.

By order of the Board

Chua Siew Chuan
Cheng Chia Ping
Company Secretaries

16 August 2023
Selangor