

VSTECS BERHAD

[Registration No: 199501021835 (351038-H)]

(Incorporated in Malaysia)


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

	Note	As At 30/09/2023 RM'000	As At 31/12/2022 RM'000
ASSETS			
Plant and equipment		3,955	3,051
Right-of-use assets		769	2,150
Intangible asset		571	571
Investment in an associate		26,917	25,760
Investment in a joint venture		13,529	13,463
Other investments		174	231
Deferred tax assets		3,741	4,328
Receivables and deposits		6,148	-
Total non-current assets		55,804	49,554
Inventories		162,849	253,198
Receivables, deposits and prepayments		426,887	364,443
Tax recoverable		189	202
Cash and cash equivalents		81,673	46,595
Total current assets		671,598	664,438
TOTAL ASSETS		727,402	713,992
EQUITY			
Share capital		90,000	90,000
Reserves		351,149	321,116
Total equity attributable to owners of the Company		441,149	411,116
LIABILITIES			
Lease liabilities		267	308
Borrowings	23	101	-
Total non-current liabilities		368	308
Borrowings	23	9,899	13,500
Lease liabilities		522	1,919
Payables and accruals		271,247	279,786
Tax payable		4,217	7,363
Total current liabilities		285,885	302,568
Total liabilities		286,253	302,876
TOTAL EQUITY AND LIABILITIES		727,402	713,992
Net assets per share attributable to owners of the Company (RM)		1.24	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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[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 2023**

	Note	Individual Quarter Three Months Ended		Cumulative Quarter Nine Months Ended	
		30/09/2023 RM'000	30/09/2022 RM'000	30/09/2023 RM'000	30/09/2022 RM'000
Revenue		646,407	735,534	1,919,940	2,087,376
Cost of sales		(608,356)	(695,625)	(1,808,284)	(1,977,508)
Gross profit		<u>38,051</u>	<u>39,909</u>	<u>111,656</u>	<u>109,868</u>
Distribution expenses		(14,233)	(12,933)	(40,146)	(38,241)
Administrative expenses		(6,663)	(6,269)	(19,726)	(18,084)
Net loss on impairment of financial instruments		(1,279)	(898)	(1,682)	(1,279)
Other income	17	627	1,595	5,777	1,678
Results from operating activities		<u>16,503</u>	<u>21,404</u>	<u>55,879</u>	<u>53,942</u>
Finance income		347	105	882	282
Finance costs	18(a)	(579)	(171)	(1,084)	(263)
Net finance (expense)/income		(232)	(66)	(202)	19
Share of profit of equity-accounted associate, net of tax		848	954	1,736	1,624
Share of profit of equity-accounted joint venture, net of tax		140	135	466	443
Profit before tax		<u>17,259</u>	<u>22,427</u>	<u>57,879</u>	<u>56,028</u>
Tax expense	21	(4,530)	(5,892)	(14,653)	(14,600)
Profit for the period/ Total comprehensive income for the period		<u>12,729</u>	<u>16,535</u>	<u>43,226</u>	<u>41,428</u>
Profit for the period/ Total comprehensive income for the period attributable to:					
Owners of the Company		12,729	16,535	43,226	41,428
Non-controlling interest		-	-	-	-
		<u>12,729</u>	<u>16,535</u>	<u>43,226</u>	<u>41,428</u>
Earnings per share attributable to owners of the Company:					
Basic (sen)	26	3.6	4.6	12.1	11.6
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 NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	41,428	41,428	-	41,428
Owens 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>
At 1 January 2023	90,000	(1,948)	323,064	411,116	-	411,116
Profit for the period/ Total comprehensive income for the period	-	-	43,226	43,226	-	43,226
Dividends to owners of the Company	-	-	(13,193)	(13,193)	-	(13,193)
At 30 September 2023	<u>90,000</u>	<u>(1,948)</u>	<u>353,097</u>	<u>441,149</u>	<u>-</u>	<u>441,149</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 NINE MONTHS ENDED 30 SEPTEMBER 2023**

	Nine Months Ended	
	30/09/2023	30/09/2022
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before tax	57,879	56,028
<i>Adjustments for:</i>		
Non-cash items	284	654
Non-operating items	(2,000)	(2,086)
Operating profit before changes in working capital	56,163	54,596
Change in inventories	90,349	(39,910)
Change in receivables, deposits and prepayment	(66,966)	(84,127)
Change in payables and accruals	298	79,916
Cash generated from operations	79,844	10,475
Tax paid	(17,199)	(16,785)
Net cash from/(used in) operating activities	62,645	(6,310)
Cash Flows from Investing Activities		
Acquisition of plant and equipment	(1,801)	(1,587)
Proceeds from disposal of plant and equipment	148	22
Purchase of other investment	-	(300)
Dividend income from an associate	579	359
Dividend income from a joint venture	400	1,000
Net cash used in investing activities	(674)	(506)
Cash Flows from Financing Activities		
(Repayment of)/Proceeds from borrowings	(3,500)	9,000
Interest received	856	282
Interest paid	(645)	(263)
Payment of lease liabilities	(1,497)	(1,438)
Repurchase of treasury shares	-	(495)
Dividend paid	(22,107)	(14,982)
Net cash used in financing activities	(26,893)	(7,896)
Net increase/(decrease) in cash and cash equivalents	35,078	(14,712)
Cash and cash equivalents at beginning of period	46,595	72,652
Cash and cash equivalents at end of period	81,673	57,940
Cash and cash equivalents comprise the following:		
Cash and bank balances	81,673	57,940

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 NINE MONTHS ENDED 30 SEPTEMBER 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 NINE MONTHS ENDED 30 SEPTEMBER 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.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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>9 months financial period ended 30 September 2023</u>				
External revenue	732,110	1,006,324	181,506	1,919,940
Inter-segment revenue	2,494	10,669	9,734	22,897
Total revenue	<u>734,604</u>	<u>1,016,993</u>	<u>191,240</u>	<u>1,942,837</u>
Reportable segment profit before tax	<u>15,774</u>	<u>31,891</u>	<u>6,781</u>	<u>54,446</u>
<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>

(b) Reconciliation of reportable segment profit and loss:

	Current Year To-date 30/09/2023 RM'000	Preceding Year Corresponding Period 30/09/2022 RM'000
Total profit before tax for reportable segments	54,446	52,098
Other non-reportable segments profit	15,238	26,002
Eliminate of inter-segments profit	(11,805)	(22,072)
Consolidated profit before tax	<u>57,879</u>	<u>56,028</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 30/09/2023		Preceding Year-to-date 30/09/2022	
	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	732,110	-	941,665	-
Enterprise Systems				
Commercial Desktop, PC and notebooks. Server, storage, software and networking products	1,006,324	-	1,036,628	-
ICT Services				
Services, cloud and maintenance	180,144	1,362	107,503	1,580
	1,918,578	1,362	2,085,796	1,580

(d) Segment assets

	As at 30/09/2023 RM'000	As at 31/12/2022 RM'000
ICT Distribution	401,268	437,876
Enterprise Systems	262,517	252,801
ICT Services	12,251	11,581
Total reportable segment assets	676,036	702,258
	As at 30/09/2023 RM'000	As at 31/12/2022 RM'000
<u>Reconciliation of reportable segment assets:</u>		
Total reportable segment assets	676,036	702,258
Other non-reportable segments assets	135,202	149,244
Elimination of inter-segment balances	(83,836)	(137,510)
Consolidated total assets	727,402	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 NINE MONTHS ENDED 30 SEPTEMBER 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 30/09/2023 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	157,557	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 RM2,238,000.

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 30/09/2023 RM'000	Current Year To-date 30/09/2023 RM'000
Addition to plant and equipment	1,361	1,801

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 30/09/2023 RM'000	Balance Due From/(To) As at 30/09/2023 RM'000
Transactions with an affiliated company:		
Purchases	(8)	-
Support services	(146)	-
Transactions with joint venture company:		
Lease liabilities	(1,440)	-
Administrative and accounting charges	11	1
Transactions with an associate company:		
Sales	415	35
Support services	(179)	(12)
	<hr/>	<hr/>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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	Preceding Year	Changes	Current Year	Preceding Year	Changes
	30/09/2023	30/09/2022		To-date	Corresponding Period	
RM'000	RM'000	%	RM'000	RM'000	%	
Revenue	646,407	735,534	(12.1)	1,919,940	2,087,376	(8.0)
Gross profit	38,051	39,909	(4.7)	111,656	109,868	1.6
<i>GP margin %</i>	<i>5.9%</i>	<i>5.4%</i>		<i>5.8%</i>	<i>5.3%</i>	
Profit before tax	17,259	22,427	(23.0)	57,879	56,028	3.3
Profit for the period	12,729	16,535	(23.0)	43,226	41,428	4.3

Q3 FY2023 compared with Q3 FY2022

For Q3 FY2023, the revenue decreased by 12.1% to RM646.4 million from RM735.5 million last year due to lower sales from both ICT Distribution and Enterprise System but was mitigated by higher sales of ICT Services segment. Gross Profit (GP) decreased by 4.7% after accounted for higher inventory write back by RM1.9 million.

Profit before tax (PBT) decreased by 23.0% to RM17.3 million as compared to RM22.4 million last year after accounted for higher operating expenses by 8.8%, higher impairment of financial instruments by RM381,000 and lower forex fair value gain by RM1.1 million.

Quarterly Segmental Result

The performance of the three business segments for Q3 FY2023 compared with Q3 FY2022 were as follows:

a) ICT Distribution

Revenue decreased by 9.6% across all major products due to slow down in consumer market. With lower sales and GP, PBT decreased by 17.3% to RM5.7 million compared with RM6.9 million last year.

b) Enterprise Systems

Revenue decreased by 25.4% across major products due to lesser enterprise projects during the quarter. With lower sales and GP, PBT decreased by 38.0% to RM7.8 million compared with RM12.6 million last year.

c) ICT Services

Revenue increased by RM37.2 million from cloud and maintenance services. The increase was contributed from business growth including a few project billings for cloud services. With higher sales and GP, PBT increased by RM1.1 million to RM2.5 million from RM1.4 million last year.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2023**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 2023 compared with 30 September 2022**

For 9 months FY2023, sales decreased by 8.0% to RM1.92 billion compared with RM2.09 billion last year mainly due to slow down in consumer market but was mitigated by higher sales from ICT Services segments.

With higher GP margin of 5.8% compared to 5.3% last year, and higher forex fair value gain by RM4.2 million, PBT increased by 3.3% to RM57.9 million as compared to RM56.0 million last year.

Year-to-date Segmental Result

The performance of the three business segments for 9 months period ended 30 September 2023 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue decreased by 22.3% across all major products. With lower sales and GP, PBT decreased by 9.7% to RM15.8 million as compared to RM17.5 million last year.

b) Enterprise Systems

Revenue decreased by 2.9% from networking hardware, storage and enterprise software. However, with higher GP margin and forex fair value gain by RM4.3 million, PBT increased by 2.2% to RM31.9 million as compared to RM31.2 million last year.

c) ICT Services

Revenue increased by RM72.4 million from maintenance and cloud services. With higher sales and GP, PBT increased by 98.5% to RM6.8 million as compared to RM3.4 million last year.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 30/09/2023 RM'000	Immediate Preceding Quarter 30/06/2023 RM'000	Changes %
Revenue	646,407	608,791	6.2
Gross Profit	38,051	35,693	6.6
<i>GP margin %</i>	5.9%	5.9%	
Share of profit of equity-accounted associate, net of tax	848	361	134.9
Share of profit of equity-accounted joint venture, net of tax	140	170	(17.6)
Profit before tax	17,259	20,731	(16.7)
Profit for the period	12,729	15,650	(18.7)

Q3 FY2023 revenue was higher by 6.2% at RM646.4 million from RM608.8 million caused by higher sales from ICT Distribution Segment and ICT Services Segment which increased by 40.2% and 39.5% respectively. While Enterprise Systems Segment recorded lower sales by 19.1% compared to previous quarter.

With lower sales and GP, PBT decreased by 16.7% to RM17.3 million compared with RM20.7 million after accounting for higher impairment of financial instruments by RM2.2 million and lower forex fair value gain by RM2.1 million.

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

	Individual Quarter		Cumulative Quarter	
	Current Year 30/09/2023 RM'000	Preceding Year Corresponding Quarter 30/09/2022 RM'000	Current Year To-date 30/09/2023 RM'000	Preceding Year Corresponding Period 30/09/2022 RM'000
Depreciation	(805)	(726)	(2,324)	(2,134)
Inventories written back/(down)	2,930	1,029	1,657	(1,453)
<hr/>				
<u>Other income/(expense):</u>				
Foreign exchange gain/(loss) - Realised	1,568	(750)	3,718	(62)
Foreign exchange gain/(loss) - Unrealised	446	(4,592)	(4,621)	(7,768)
Fair value (loss)/gain on forward exchange contract	(1,540)	6,887	6,583	9,339
Fair value gain/(loss) on other investment	10	12	(57)	(112)
Gain/(Loss) on fixed assets disposal/written off	137	-	132	18
Government grant	-	2	-	161
Others	6	36	22	102
	627	1,595	5,777	1,678

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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) Finance costs

Finance costs consist of interest expense of RM439,000 arising from the fair value measurement of an interest-free non-current trade receivable discounted using prevailing market rate.

(b) Trade receivables

Trade receivables were having credit term ranging from 14 to 60 days with an exception of a few customers on project with extended payment term up to 2 years. Aging analysis of trade receivables as at 30 September 2023 were as follows:

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Current (not past due)	219,303	-	219,303
Past due 1 - 30 days	113,773	-	113,773
Past due 31 - 60 days	51,645	-	51,645
Past due 61 - 90 days	19,518	-	19,518
	<hr/> 404,239	-	404,239
Past due more than 90 days	5,883	(2,449)	3,434
Individual impaired	-	-	-
	<hr/> 410,122	(2,449)	407,673

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 2023

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

19. Prospects

Malaysia's economic growth recorded its lowest point within the last two years due to sliding exports and a global slowdown, prompting Bank Negara Malaysia (BNM) to warn that full-year growth is expected to be lower than its previous forecast.

The Malaysian Ringgit dropped to a 25-year low against US dollar and all major currencies. The weak Ringgit resulted in higher prices of imported goods, dampened consumer sentiment and negatively impacted demand for our consumer products.

The overall negative market sentiments have also slowed the growing trend of enterprise ICT products. On a more positive note, our ICT service revenue, including the investments in public cloud projects and services continues on its upward momentum and investments are yielding positive results.

In spite of the current slow-down, we managed to secure major contracts in supplying end-point devices to Telcos and the Ministry of Education for the coming few quarters.

Thus, despite reduced consumer demand and a more challenging economic environment, we maintain a positive outlook for Q4 and for FY2023.

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
	30/09/2023	30/09/2022	To-date	Corresponding Period
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Current year	4,479	4,925	13,929	14,292
Under provision prior year	137	310	137	310
	<u>4,616</u>	<u>5,235</u>	<u>14,066</u>	<u>14,602</u>
Deferred tax	(86)	657	587	(2)
	<u>4,530</u>	<u>5,892</u>	<u>14,653</u>	<u>14,600</u>
Effective tax rate	26.2%	26.3%	25.3%	26.1%

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 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 September 2023 were as follows:

	RM'000
Long-term borrowing:	
Hire Purchase	101
Short-term borrowings:	
Banker's Acceptances - Unsecured	9,800
Hire Purchase	99
Total	9,899

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 2023.

The dividend will be paid on 12 January 2024 in respective of deposited securities as at 19 December 2023.

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	Preceding Year	Current Year	Preceding Year
	30/09/2023	30/09/2022	30/09/2023	30/09/2022
Profit attributable to equity holders of the Company (RM'000)	12,729	16,535	43,226	41,428
Weighted average number of ordinary shares ('000)	356,555	356,555	356,555	356,725
Basic earnings per share (sen)	3.6	4.6	12.1	11.6
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

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

VSTECS BERHAD

[Registration No: 199501021835 (351038-H)]

(Incorporated in Malaysia)



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

27. Auditor's report on preceding annual financial statements

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2022.

By order of the Board

Chua Siew Chuan
Cheng Chia Ping
Company Secretaries

15 November 2023
Selangor