

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

| | Note | As At 31/12/2019 RM'000 | As At 31/12/2018 RM'000 |
|---|-------|-------------------------------|-------------------------------|
| ASSETS | | | |
| Plant and equipment | | 2,223 | 2,418 |
| Investment properties | | 9,388 | 9,416 |
| Right-of-use assets | 18(a) | 2,057 | - |
| Investment in an associate | | 21,226 | - |
| Investment in a joint venture | | 13,876 | 13,410 |
| Investment in club membership | | 62 | 62 |
| Intangible asset | | 571 | 571 |
| Deferred tax assets | | 1,137 | 1,249 |
| Receivables and deposits | | 2,742 | - |
| Total non-current assets | | 53,282 | 27,126 |
| Inventories | | 127,970 | 132,748 |
| Receivables, deposits and prepayments | | 294,291 | 264,124 |
| Cash and cash equivalents | | 71,014 | 54,541 |
| Total current assets | | 493,275 | 451,413 |
| TOTAL ASSETS | | 546,557 | 478,539 |
| EQUITY | | | |
| Share capital | | 90,000 | 90,000 |
| Reserves | | 217,782 | 198,096 |
| Total equity attributable to owners of the Company | | 307,782 | 288,096 |
| LIABILITIES | | | |
| Lease liabilities | 18(a) | 106 | - |
| Total non-current liabilities | | 106 | - |
| Payables and accruals | | 234,061 | 189,112 |
| Lease liabilities | 18(a) | 2,007 | - |
| Tax payable | | 2,601 | 1,331 |
| Total current liabilities | | 238,669 | 190,443 |
| Total liabilities | | 238,775 | 190,443 |
| TOTAL EQUITY AND LIABILITIES | | 546,557 | 478,539 |
| Net assets per share attributable to owners of the Company (RM) | | 1.71 | 1.60 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

| | Note | Individual Quarter Three Months Ended | | Cumulative Quarter Twelve Months Ended | |
|---|--------|--|----------------------|---|----------------------|
| | | 31/12/2019 RM'000 | 31/12/2018 RM'000 | 31/12/2019 RM'000 | 31/12/2018 RM'000 |
| Revenue | | 542,095 | 446,104 | 1,802,283 | 1,632,323 |
| Cost of sales | | (513,917) | (421,578) | (1,709,111) | (1,545,538) |
| Gross profit | | 28,178 | 24,526 | 93,172 | 86,785 |
| Distribution expenses | | (10,926) | (9,099) | (37,617) | (35,019) |
| Administrative expenses | | (6,031) | (5,381) | (21,787) | (20,795) |
| Net gain/(loss) on impairment of financial instruments | | 691 | 68 | 104 | (664) |
| Other income/(expenses) | 17 | 690 | 151 | 2,205 | (135) |
| Results from operating activities | 17 | 12,602 | 10,265 | 36,077 | 30,172 |
| Finance income | | 136 | 560 | 607 | 1,928 |
| Finance costs | 18 (c) | (334) | - | (525) | (1) |
| Net finance (cost)/income | | (198) | 560 | 82 | 1,927 |
| Share of profit of equity-accounted associate, net of tax | | 1,370 | - | 2,430 | - |
| Share of profit of equity-accounted joint venture, net of tax | | 180 | 174 | 716 | 676 |
| Profit before tax | | 13,954 | 10,999 | 39,305 | 32,775 |
| Tax expense | 21 | (3,220) | (2,716) | (9,712) | (8,171) |
| Profit for the period / Total comprehensive income for the period | | 10,734 | 8,283 | 29,593 | 24,604 |
| Profit for the period / Total comprehensive income for the period attributable to: | | | | | |
| Owners of the Company | | 10,734 | 8,283 | 29,593 | 24,604 |
| Non-controlling interest | | - | - | - | - |
| | | 10,734 | 8,283 | 29,593 | 24,604 |
| Earnings per share attributable to owners of the Company: | | | | | |
| Basic (sen) | 26 | 6.0 | 4.6 | 16.5 | 13.7 |
| Diluted (sen) | | N/A | N/A | N/A | N/A |

Notes:

N/A Not applicable

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | <- Attributable to owners of the Company - > | | | | Non- Controlling Interest RM'000 | Total Equity RM'000 |
|--|--|------------------------------|---|-----------------|---|---------------------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Distributable Retained Earnings RM'000 | Total RM'000 | | |
| At 1 January 2018 | 90,000 | - | 182,492 | 272,492 | - | 272,492 |
| Profit for the period / Total comprehensive income for the period | - | - | 24,604 | 24,604 | - | 24,604 |
| Dividend | - | - | (9,000) | (9,000) | - | (9,000) |
| At 31 December 2018 | <u>90,000</u> | <u>-</u> | <u>198,096</u> | <u>288,096</u> | <u>-</u> | <u>288,096</u> |
| At 1 January 2019 | 90,000 | - | 198,096 | 288,096 | - | 288,096 |
| Profit for the period / Total comprehensive income for the period | - | - | 29,593 | 29,593 | - | 29,593 |
| Own shares acquired | - | (930) | - | (930) | - | (930) |
| Dividend | - | - | (8,977) | (8,977) | - | (8,977) |
| At 31 December 2019 | <u>90,000</u> | <u>(930)</u> | <u>218,712</u> | <u>307,782</u> | <u>-</u> | <u>307,782</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 2018 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Note | Twelve Months Ended | |
|--|--------|----------------------|----------------------|
| | | 31/12/2019 RM'000 | 31/12/2018 RM'000 |
| Cash Flows from Operating Activities | | | |
| Profit before tax | | 39,305 | 32,775 |
| <i>Adjustments for:</i> | | | |
| Non-cash items | | 2,623 | 1,792 |
| Non-operating items | | (3,228) | (2,603) |
| Operating profit before changes in working capital | | 38,700 | 31,964 |
| Change in inventories | | 4,778 | (9,768) |
| Change in receivables, deposits and prepayment | | (32,166) | 10,639 |
| Change in payables and accruals | | 44,441 | (7,152) |
| Cash generated from operations | | 55,753 | 25,683 |
| Tax paid | | (8,331) | (8,384) |
| Net cash generated from operating activities | | 47,422 | 17,299 |
| Cash Flows from Investing Activities | | | |
| Acquisition of an associate company | | (18,796) | - |
| Acquisition of investment properties | | - | (5,263) |
| Purchase of plant and equipment | | (1,043) | (880) |
| Proceeds from disposal of plant and equipment | | 116 | 47 |
| Dividend income from a joint venture | | 250 | 100 |
| Net cash used in investing activities | | (19,473) | (5,996) |
| Cash Flows from Financing Activities | | | |
| Interest received | | 584 | 1,713 |
| Interest paid | | (246) | (1) |
| Repayment of lease liabilities | 18 (b) | (1,907) | - |
| Purchase of treasury shares | | (930) | - |
| Dividend paid | | (8,977) | (9,000) |
| Net cash used in financing activities | | (11,476) | (7,288) |
| Net increase in cash and cash equivalents | | 16,473 | 4,015 |
| Cash and cash equivalents at beginning of period | | 54,541 | 50,526 |
| Cash and cash equivalents at end of period | | 71,014 | 54,541 |
| Cash and cash equivalents comprise the following: | | | |
| Cash and bank balances | | 71,014 | 54,541 |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

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 2018.

The consolidated financial statements of the Group as at and for the financial year ended 31 December 2018 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 2018, except with the adoption of the following Malaysian Financial Reporting Standards ("MFRSs"), Clarification on MFRS, Issues Committee ("IC") Interpretations and Amendments to MFRS for financial period beginning on or after 1 January 2019:

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

The adoption of the above standards, interpretations or amendments are not expected to have material financial impacts to the financial statements of the Group except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application. The Group also elected to recognise a right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

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

2. Significant accounting policies (continued)

MFRS 16, Leases (continued)

The Group has lease contracts for various properties. Before the adoption of MFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease whereby the leased properties were not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments, Prepaid lease payments and Trade and other payables.

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group does not have any leases previously classified as finance leases.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application

Reconciliation of operating lease as at 31 December 2018 to lease liabilities as of 1 January 2019:

| | | RM'000 |
|-------|--|---------------|
| | Operating lease commitments as at 31 December 2018 | 4,029 |
| Less: | Commitments relating to short-term leases | (6) |
| | | 4,023 |
| Less: | Discounted using incremental borrowing rate of 5.5% p.a. | (66) |
| | Lease liabilities as at 1 January 2019 | 3,957 |

The Group recognises right-of-use assets totalling RM3.9 million representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments with exemptions for short-term leases and leases of low-value items. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

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

2. Significant accounting policies (continued)

MFRS 16, Leases (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3. Seasonal or cyclical factors

The Group's operations were not significantly affected by seasonal or cyclical factors.

4. Unusual items

There were no significant unusual items affecting assets, liabilities, equity, net income, or cash flows during the current financial quarter.

5. Material changes in estimates

There was no estimation made for the current financial quarter results.

6. Debt and equity securities

There were no issuances, cancellations, resale and repayments of debt and equity securities for the current quarter and the financial year-to-date except that the Company purchased its own shares totalling 909,600 ordinary shares amounted to RM930,505.

7. Dividends paid

A single tier final dividend of 2.5 sen per share, totalling RM4,500,000 in respect of the financial year ended 31 December 2018 was paid on 19 June 2019.

A single tier interim dividend of 2.5 sen per share totalling RM4,477,260 in respect of the financial year ended 31 December 2019 was paid on 18 December 2019.

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 volume ICT products to resellers, comprising mainly retailers |
| (ii) Enterprise Systems | Distribution of value 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 YEAR ENDED 31 DECEMBER 2019

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

8. Segmental reporting (continued)

(a) Information about reportable segments

| | ICT Distribution RM'000 | Enterprise Systems RM'000 | ICT Services RM'000 | Total RM'000 |
|---|--|--|------------------------------------|-------------------------|
| <u>12 months financial period ended 31 December 2019</u> | | | | |
| External revenue | 1,207,078 | 539,225 | 55,980 | 1,802,283 |
| Inter-segment revenue | 12,416 | 5,874 | 8,655 | 26,945 |
| Total revenue | <u>1,219,494</u> | <u>545,099</u> | <u>64,635</u> | <u>1,829,228</u> |
| Reportable segment profit before tax | <u>15,516</u> | <u>18,574</u> | <u>1,578</u> | <u>35,668</u> |
| <u>12 months financial period ended 31 December 2018</u> | | | | |
| External revenue | 1,137,373 | 455,092 | 39,858 | 1,632,323 |
| Inter-segment revenue | 16,161 | 1,316 | 5,280 | 22,757 |
| Total revenue | <u>1,153,534</u> | <u>456,408</u> | <u>45,138</u> | <u>1,655,080</u> |
| Reportable segment profit before tax | <u>16,512</u> | <u>13,825</u> | <u>783</u> | <u>31,120</u> |

(b) Reconciliation of reportable segment profit and loss:

| | Current Year To- date 31/12/2019 RM'000 | Preceding Year Corresponding Period 31/12/2018 RM'000 |
|---|--|--|
| Total profit for reportable segments before tax | 35,668 | 31,120 |
| Other non-reportable segments profit | 14,203 | 10,858 |
| Eliminate of inter-segments profit and loss | (10,566) | (9,203) |
| Consolidated profit before tax | <u>39,305</u> | <u>32,775</u> |

(c) Disaggregation of the Group's revenue

| | Current Year-to-date 31/12/2019 | | Preceding Year-to-date 31/12/2018 | |
|---|--|---------------------------------|--|---------------------------------|
| | At a point in time RM'000 | Over time RM'000 | At a point in time RM'000 | Over time RM'000 |
| ICT Distribution | | | | |
| Desktop PC, notebooks, mobility devices and peripherals | 1,207,078 | - | 1,137,373 | - |
| Enterprise Systems | | | | |
| Server, storage, software and networking products | 539,225 | - | 455,092 | - |
| ICT Services | | | | |
| Services and maintenance | 55,417 | 563 | 38,304 | 1,554 |
| | <u>1,801,720</u> | <u>563</u> | <u>1,630,769</u> | <u>1,554</u> |

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

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

8. Segmental reporting (continued)

(d) Segment assets

| | As at 31/12/2019 RM'000 | As at 31/12/2018 RM'000 |
|--|-------------------------------|-------------------------------|
| ICT Distribution | 339,373 | 328,783 |
| Enterprise Systems | 189,889 | 142,490 |
| ICT Services | 6,585 | 3,432 |
| Total reportable segment assets | <u>535,847</u> | <u>474,705</u> |
| <u>Reconciliation of reportable segment:</u> | | |
| Total reportable segment assets | 535,847 | 474,705 |
| Other non-reportable segments assets | 129,551 | 127,459 |
| Elimination of inter-segment balances | (118,841) | (123,625) |
| Consolidated total | <u>546,557</u> | <u>478,539</u> |

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 Office. 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

As disclosed in Note 22, with the completion of the Proposed Acquisition of 30% shares in ISATEC Sdn Bhd ("ISATEC") (formerly known as I.S.A. Technologies Sdn Bhd) on 10 May 2019, ISAT becomes 30%-owned associate company of VSTECs Berhad.

The Proposed Subscription for the additional 10% share in ISATEC was completed on 18 July 2019. With the completion of the Proposed Acquisition and Proposed Subscription, ISATEC becomes 40%-owned associate company of VSTECs Berhad.

11. Contingent liabilities and contingent assets

(a) Contingent liabilities

| | As At 31/12/2019 RM'000 | As At 31/12/2018 RM'000 |
|---|-------------------------------|-------------------------------|
| Guarantees to suppliers and licensed banks for trade credit facilities granted by holding company to Group entities | <u>144,892</u> | <u>144,935</u> |

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

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

11. Contingent liabilities and contingent assets (continued)

(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 RM703,000.

13. Capital expenditure

The major additions and disposals to plant and equipment during the current quarter and financial year-to-date were as follows:

| | Current Year Quarter 31/12/2019 RM'000 | Current Year To-date 31/12/2019 RM'000 |
|---------------------------------|---|---|
| Addition to plant and equipment | 145 | 1,043 |

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 31/12/2019 RM'000 | Balance Due From/(To) As at 31/12/2019 RM'000 |
|---|--|--|
| Transactions with a company in which a Director has interests: | | |
| Rental expenses | (1,974) | - |
| Administrative and accounting charges | 10 | 1 |
| Transactions with a company in which a Director has common directorship : | | |
| Sales | 437 | 92 |
| Transactions with an associate company: | | |
| Sales | 133 | 10 |

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

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 31/12/2019 RM'000 | Preceding Year Corresponding Quarter 31/12/2018 RM'000 | Changes % | Current Year To-date 31/12/2019 RM'000 | Preceding Year Corresponding Period 31/12/2018 RM'000 | Changes % |
| Revenue | 542,095 | 446,104 | 21.5 | 1,802,283 | 1,632,323 | 10.4 |
| Gross profit | 28,178 | 24,526 | 14.9 | 93,172 | 86,785 | 7.4 |
| <i>GP margin %</i> | 5.2% | 5.5% | | 5.2% | 5.3% | |
| Profit before tax | 13,954 | 10,999 | 26.9 | 39,305 | 32,775 | 19.9 |
| Profit for the period | 10,734 | 8,283 | 29.6 | 29,593 | 24,604 | 20.3 |

Q4 2019 compared with Q4 2018

For Q4 2019, the revenue increased by 21.5% to RM542.1 million from RM446.1 million last year due to improved market conditions compared with last year when Sales & Service Tax (SST) was implemented in September 2018. With higher sales, the gross profit (GP) increased by 14.9% to RM28.2 million from RM24.5 million last year.

Finance income decreased by RM424,000 mainly due to lower cash balance after some fund was utilised to acquire shares in an associate company. Finance costs consist of RM279,000 recognised as interest expense due to the fair value measurement of an interest-free non-current trade receivable discounted using prevailing market rate of interest.

With higher sales and GP and share of profit in associate and joint venture for RM1.6 million, the profit before tax (PBT) increased by 26.9% to RM14.0 million compared with RM11.0 million last year.

Quarterly Segmental Result

The performance of the three business segments for Q4 FY2019 compared with Q4 FY2018 were as follows:

a) ICT Distribution

With improved market share, revenue increased by 19.6% mainly from PC and notebook. However, with lower GP margin and higher operating expenses, PBT decreased by 27.8% to RM4.0 million from RM5.6 million last year.

b) Enterprise Systems

Revenue increased by 24.4% with higher sales mainly from networking, storage and software. With higher sales and GP margin arising from the product mix, the PBT increased by 62.2% to RM8.0 million compared with RM5.0 million last year.

c) ICT Services

Revenue increased by RM4.2 million and PBT increased to RM412,000 compared with RM278,000 last year mainly due to higher sales from the Enterprise Systems segment.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

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

15. Review of performance (continue)

12 months ended 31 December 2019 compared with 31 December 2018

The demand for ICT products from consumer spending as well as public sectors last year was impacted by uncertainties of the 14th General Election in May 2018, followed by the change in Federal Government and the replacement of GST with SST.

With improved market conditions this year, the Group recorded revenue of RM1,802.3 million, an increase of 10.4% compared with RM1,632.3 million last year contributed by all three segments.

With higher sales and GP and share of profit in associate and joint venture for RM3.1 million, the PBT increased by 19.9% to RM39.3 million compared with RM32.8 million last year.

Year-to-date Segmental Result

The performance of the three business segments for 12 months period ended 31 December 2019 as compared to previous year-to-date were as below:

a) ICT Distribution

Revenue increased by 6.1% with higher sales mainly from notebook, PC, mobile phone, printer consumables and accessories. However, with lower GP margin due to higher provision for stock obsolescence, the PBT decreased by 6.0% to RM15.5 million compared with RM16.5 million last year.

b) Enterprise Systems

Revenue increased by 18.5% with higher sales mainly from software, networking and storage equipment. With higher sales and GP, PBT increased by 34.4% to RM18.6 million compared with RM13.8 million last year.

c) ICT Services

Revenue increased by RM16.1 million mainly due to higher revenue from Enterprise Systems. With higher sales and GP, the PBT increased to RM1.6 million compared with RM783,000 last year.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

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 31/12/2019 RM'000 | Immediate Preceding Quarter 30/09/2019 RM'000 | Changes % |
|---|--|--|----------------------|
| Revenue | 542,095 | 459,572 | 18.0 |
| Gross Profit | 28,178 | 24,816 | 13.5 |
| <i>GP margin %</i> | 5.2% | 5.4% | |
| Share of profit of equity-accounted associate, net of tax | 1,370 | 1,060 | 29.2 |
| Share of profit of equity-accounted joint venture, net of tax | 180 | 175 | 2.9 |
| Profit before tax | 13,954 | 10,702 | 30.4 |
| Profit for the period | 10,734 | 8,257 | 30.0 |

The Group's revenue in current quarter increased by 18.0% to RM542.1 million compared with RM459.6 million in preceding quarter due to improved market conditions. All three segments recorded better results. Sales of ICT Distribution, Enterprise Systems and ICT Services increased by 14.6%, 26.6% and 9.2% respectively.

PBT for Enterprise Systems and ICT Services increased by 89.5% and 24.9% respectively. However PBT for Distribution Segment decreased by 17.6% due to decrease in GP margin arising from higher provision for stock obsolescence.

With higher sales and GP and share of profit in associate and joint venture, PBT increased by 30.4%.

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

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|--|
| | Current Year Quarter 31/12/2019 RM'000 | Preceding Year Corresponding Quarter 31/12/2018 RM'000 | Current Year To-date 31/12/2019 RM'000 | Preceding Year Corresponding Period 31/12/2018 RM'000 |
| Depreciation | (787) | (338) | (3,222) | (1,300) |
| Written down of inventories | (890) | (782) | (1,342) | (442) |
| <u>Other income/(expenses):</u> | | | | |
| Bad debts recovered | - | 9 | 4 | 17 |
| Foreign exchange gain/(loss) - Realised | 289 | (131) | 1,590 | 329 |
| Foreign exchange gain/(loss) - Unrealised | 2,748 | 1,657 | 1,927 | (1,793) |
| Fair value (loss)/gain | (2,350) | (1,386) | (1,436) | 1,259 |
| Gain on fixed assets disposal | - | - | 109 | 42 |
| Others | 3 | 2 | 11 | 11 |
| | 690 | 151 | 2,205 | (135) |

The Group is exposed to foreign currency risk on purchases that are mainly denominated in US Dollar ("USD"). However, the Group hedges most of these exposures by purchasing forward currency contracts in USD for payments on due dates.

There was no gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets and exceptional items.

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18. Commentaries and disclosure of other information

(a) Right-of-use assets / Lease liabilities

In compliance with MFRS 16 *Leases*, the Group has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments with exemptions for short-term leases and leases of low-value items.

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

There were no major changes in the financial position and cash flow compared with financial year ended 31 December 2018 except with the inclusion of repayment of lease liabilities in the cash flow statement arising from Note 18(a) and acquisition of 40% shares in an associate company for RM18.8 million.

(c) Finance costs

Finance costs consist of lease interest of RM220,000 and interest expense of RM279,000 arising from the fair value measurement of an interest-free non-current trade receivable discounted using prevailing market rate.

(d) Trade receivables

Trade receivables have a credit term ranging from 14 to 60 days. Aging analysis of trade receivables as at 31 December 2019 were as follows:

| | Gross carrying amount RM'000 | Loss allowance RM'000 | Net balance RM'000 |
|----------------------------|---|--------------------------------------|-----------------------------------|
| Current not past due | 151,926 | - | 151,926 |
| Past due 1 - 30 days | 95,210 | - | 95,210 |
| Past due 31 - 60 days | 29,775 | - | 29,775 |
| Past due 61 - 90 days | 5,076 | - | 5,076 |
| | <hr/> 281,987 | - | <hr/> 281,987 |
| Past due more than 90 days | 2,049 | (446) | 1,603 |
| Individual impaired | 87 | (87) | - |
| | <hr/> 284,123 | <hr/> (533) | <hr/> 283,590 |

The Group uses aging analysis to monitor the credit quality of the 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.

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19. Prospects

International Data Corporation has forecasted 2.6% growth rate on the products and services that the Group is providing.

In view of the lower forecast of the Malaysia's gross domestic product (GDP) growth rate for 2020, we expect the demand of ICT products from the consumer segment to remain challenging. The COVID-19 outbreak has also resulted in supply disruption on the shipments of ICT products from China.

We plan to improve the consumer products revenue and market share by increasing our e-commerce penetration. We shall utilise our business-to-business (B2B) and the various business-to-consumer (B2C) platforms to reach out for more resellers and end customers.

With the government initiatives of driving digital transformation and the implementation of the new telco 5G networks, we are confident to secure more Enterprise Systems projects for this year.

Due to the current market uncertainties from the disruption of ICT hardware supply chain, we are cautious on the outlook for FY2020.

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 Quarter 31/12/2019 RM'000 | Preceding Year Corresponding Quarter 31/12/2018 RM'000 | Current Year To-date 31/12/2019 RM'000 | Preceding Year Corresponding Period 31/12/2018 RM'000 |
| Current income tax: | | | | |
| Current year | 3,092 | 2,673 | 9,781 | 8,775 |
| (Over)/Under provision prior year | - | - | (180) | (163) |
| | <u>3,092</u> | <u>2,673</u> | <u>9,601</u> | <u>8,612</u> |
| Deferred tax | 128 | 43 | 111 | (441) |
| | <u>3,220</u> | <u>2,716</u> | <u>9,712</u> | <u>8,171</u> |
| Effective tax rate | 23.1% | 24.7% | 24.7% | 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.

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22. Corporate proposals

On 21 November 2018, the Company entered into a Term Sheet with ISATEC and Mr. Lim Fun Jin, Ms Alice Yuen Mei Foong, Mr. Yong Keong Tuck and Mr. Tan Wai Ho (collectively known as "Vendors") in respect of the Proposed Investment in ISATEC and its wholly-owned subsidiary company, I.S.A. Innovation Sdn Bhd (ISAI) for the following transactions (the "Proposed Investment"):

- (i) To acquire 150,000 ordinary shares in ISATEC, representing 30% of the total issued share capital of ISATEC from the vendors (the "Proposed Acquisition"); and
- (ii) To subscribe of such number of ordinary shares resulting in the Company owning 40% of the enlarged issued share capital in ISATEC subsequent to this subscription and the completion of the Proposed Acquisition (the "Proposed Subscription").

On 18 April 2019, the Company signed the Share Sale Agreement with the Vendors for the Proposed Acquisition with total purchase consideration of RM14,573,000. As at 10 May 2019 under item (i), the Proposed Acquisition of 30% of the total share capital in ISATEC has been completed.

On 18 July 2019, the Proposed Subscription has been completed at a purchase consideration of RM4,223,000 for the additional 10% shares in ISATEC.

With the completion of the above Acquisition and Subscription, ISATEC becomes a 40%-owned associate company of VSTECS Berhad.

23. Borrowings and debt securities

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

24. Changes in material litigation

There was no material litigation as at the end of the current financial period.

25. Dividend

The Board of Directors has recommended for approval of shareholders a single tier final dividend of 3.0 sen per ordinary share for the financial year ended 31 December 2019.

The proposed payable date is 17 June 2020 in respect of deposited securities as at 28 May 2020.

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 31/12/2019 | Preceding Year Corresponding Quarter 31/12/2018 | Current Year To-date 31/12/2019 | Preceding Year Corresponding Period 31/12/2018 |
| Profit attributable to equity holders of the Company (RM'000) | 10,734 | 8,283 | 29,593 | 24,604 |
| Weighted average number of ordinary shares ('000) | 179,090 | 180,000 | 179,573 | 180,000 |
| Basic earnings per share (sen) | 6.0 | 4.6 | 16.5 | 13.7 |
| Diluted earnings per share (sen) | N/A | N/A | N/A | N/A |

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

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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 2018.

By order of the Board

Chua Siew Chuan
Cheng Chia Ping
Company Secretaries

20 February 2020
Selangor