

## **VSTECs BERHAD**

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

**SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-FOURTH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON A FULLY VIRTUAL BASIS WITH THE BROADCAST VENUE LOCATED AT TRAINING ROOM, VSTECs BERHAD, LOT 3, JALAN TEKNOLOGI 3/5, TAMAN SAINS SELANGOR, KOTA DAMANSARA, 47810 PETALING JAYA, SELANGOR DARUL EHSAN ON TUESDAY, 16 JUNE 2020 AT 10:30 A.M.**

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**DIRECTORS PRESENT AT BROADCAST VENUE** : Mr. Foo Sen Chin (Chairman)  
Mr. Soong Jan Hsung  
Ms. Ho Chee Kit  
Dato' Khoo Sin Aik  
Encik Abdul Aziz Bin Zainal Abidin

**DIRECTORS WHO PARTICIPATED REMOTELY** : Mr. Wong Heng Chong  
Encik Ahmad Subri Bin Abdullah  
Mr. Ong Wei Hiam  
Ms. Chow Ying Chi

**IN ATTENDANCE** : Ms. Chua Siew Chuan (Company Secretary)  
Mr. Cheng Chia Ping (Company Secretary)\*  
Ms. Rachel Chong (Assisting the Company Secretary)  
Ms. Chen Kah Inn (Assisting the Company Secretary)\*  
*\*Attended the Meeting remotely through live streaming.*

Mr. Foo Sen Chin (“**the Chairman**”), the Non-Independent Non-Executive Chairman of the Company chaired the Meeting.

The Company Secretary confirmed that a quorum was present pursuant to Clause 19.2 of the Company’s Constitution, and the Chairman declared the Meeting duly convened.

### **PRESENTATION BY CHIEF EXECUTIVE OFFICER OF THE COMPANY**

Prior to receiving the Audited Financial Statements of the Company for the financial year ended 31 December 2019, Mr. Soong Jan Hsung (“**Mr. Soong**”), the Chief Executive Officer of the Company then made a brief presentation on the Company’s 2019 performance for the financial year ended 31 December 2019 and key initiatives for 2020 which covered the following areas:-

- Business snapshot;
- Financial performance and summary;
- New opportunities;
- Key initiatives; and
- Competitive strengths.

The Meeting noted the following salient points:-

- Business snapshot
  - The Company is a leading digital distribution channel in Malaysia. The four major areas that the Company entered into are (i) Information and Communications Technology (“**ICT**”) distribution, (ii) enterprise systems, (iii) ICT services and (iv) Information Technology (“**IT**”) solutions.
  - The Company took advantage of economy of scale by offering various services and have a strong-based of ICT principals, resellers and end users.
  - The Company is representing more than 40 leading ICT principals.
  - In mid of 2019, the Company has acquired an associate company, ISATEC Sdn. Bhd. (“**ISATEC**”) which has core competencies of digital process automation, mobile and software engineering, system consulting and digital performance management.
- Financial summary
  - The Group recorded higher revenue of RM1.80 billion in year 2019 as compared to RM1.63 billion for the preceding year. The 10.4% increase was mainly driven by improvements across all segments.
  - The Group recorded a profit after taxation and minority interests (“**PATAMI**”) of RM29.6 million in year 2019 as compared to RM24.6 million for the preceding year. The increase of 20.3% was

(Summary of Key Matters Discussed at the Twenty-Fourth Annual General Meeting held on 16 June 2020 – cont'd)

- mainly driven by the outpacing revenue increase with ISATEC's contribution of RM2.4 million.
  - The main contributor to the higher gross profit margin of the Group came mainly from higher contribution from the Enterprise Systems and ICT Services segments.
  - The Group has maintained its dividend pay-out ratio at thirty per centum (30%) and/or above since 2015.
- New opportunities
  - The COVID-19 pandemic and the Movement Control Order (“MCO”) have brought about a new normal which created new opportunities in the market.
  - Working from home become the new normal which enhances the usage of digital enabling products and remote data centre.
  - The increase in the usage of video conferencing to facilitate discussions and meetings has increased the search of video conferencing solutions, and hence the demand and usage of the servers, storage and cybersecurity have increased as well.
  - The advocate of social distancing has enhanced the e-commerce channel business to experience resurgence and hence improved the big data analytics.
  - The increase in health awareness of the public brought about higher data-enabled healthcare initiatives and has also increased the usage of healthcare monitoring applications.
  - The provision of goods and services enhanced the big data analytics. It provides chance to the employers to transform the current traditional business model to the digital business model, where the automations and robotics came into place.
  - By reviewing and evaluating the current market condition, the ICT industry is the beneficiary of the new economy.
- Key initiatives 2020
  - In light of the outbreak of the COVID-19 pandemic which might permanently change the working pattern, the two (2) key initiatives being focused by the Company in 2020 are as follows:-
    - (a) Enterprise systems and ICT services

The increase in the demand for hardware, software and solutions. The end-point devices and accessories include smartphones, notebooks, printers, servers and storage. Businesses would have higher spending on the software and IT solutions in the transition to remote operations and in supporting remote access via collaboration tools, security software, time tracking and cloud storage.
    - (b) ICT distribution

ICT distribution drives the e-commerce distribution channels such as Lazada and Shopee. The Company is currently managing fifteen (15) online flagship stores over the e-commerce channels with opportunities to expand the revenue streams.
- Competitive strengths
  - The Company is a leading ICT distributor with thirty-five (35) years experiences and more than forty (40) ICT principals;
  - Have a diversified range of ICT products and continuously expanding its products range;
  - Have a competent technical team who are ready for new challenges; and
  - Have innovative IT solutions with strong customers based and track record for expansion into ASEAN region.

#### **SUMMARY OF KEY MATTERS DISCUSSED AT THE 24TH AGM**

The following are the key questions that were raised by shareholders during the Meeting, which were adequately responded and addressed by Management and the Board:-

(Summary of Key Matters Discussed at the Twenty-Fourth Annual General Meeting held on 16 June 2020 – cont'd)

**Questions received from the shareholders / proxies under Business Perspective**

1. VSTECS distributes a wide range of ICT products comprising notebooks, personal computers, smartphones, etc., which are the products that are negatively impacted by the Covid-19 pandemic and the MCO?
2. Is the sale of Huawei products in Malaysia negatively impacted by the various sanctions imposed on Huawei?
3. What is the expected growth in revenue and profit for 2020?
4. What are the key strategies the Company will undertake to overcome the impact of the current economy situation?
5. Based on the new landscape and the new opportunities - "New Normal", will the Company be able to immediately take advantage of it by increasing its sales and penetrate new market and customer segments?
6. How would the current online business and working from home scenario stimulate the Company's growth? How would the Company position itself to capitalise from this? How much growth is to be expected based on the strategies implemented?

**Replies from Mr. Soong Jan Hsung, the Executive Director Cum Chief Executive Officer**

1. During the MCO period, all the end-point devices and accessories such as smartphones, notebooks and printers were having high demand in the market through e-commerce platform. For Enterprise Division, the Company only supplied to essential service providers during the MCO period. During the Conditional MCO and the Recovery MCO, the Enterprise Division saw high spending on the servers, storage and networking to support the remote access to facilitate working from home. As such, the Company is unable to determine which products are being negatively impacted by the MCO for the time being.
2. The Company only handle notebooks and enterprise server, storage and networking for Huawei products. All these goods and services were not being impacted as the impacted products are the Huawei smartphones. As of now, the Company do not foresee any negative impact towards the Company on the new sanctions imposed by United States' Government on Huawei.
3. Although the market is slow due to the COVID-19 pandemic, the Company still strive for a small growth in 2020 with this challenging situation.
4. The main strategy is cost-saving due to market uncertainties for the second half of the year as there is possibility of a second wave of COVID-19. The Company is carefully looking after the operation costs in order to meet the cost savings. The Company is also cautiously paying attention towards the market demand and new trends as the supply in the ICT industry are dependent on the demand in the market.
5. The current market trend is video conferencing, i.e. Webex meetings application. The sales teams of the Company have been working aggressively to capture the demand in the corporate market. For the end-point devices, there are lots of orders being placed via online platform during the MCO. For businesses, the enterprises are having higher spending on upgrading the notebooks, servers and storage to allow remote access.
6. E-commerce business is the current market trend and is continuously growing in the market domestically and internationally. The Company will allocate more resources for the e-commerce platforms in terms of promotions and campaigns to increase the market demand for ICT products.

**Questions received from the shareholders / proxies under Financial Perspective**

1. It is almost three (3) months since MCO, how is the receivables? Is there an increase in receivables past 90 days?
2. The profit after tax ("PAT") margin appears thin at less than 2%. Please elaborate on plans to improve the margin, if any?
3. The Company's ratio such as Return On Capital Employed (ROCE), Return On Equity (ROE), Return of Assets (ROA) have been on the decline since 2015, what are the steps and strategies to address this and if so, at what timeline to restore this?
4. On page 112 of the Annual Report, it was disclosed that 2 units of investment properties are currently vacant. How long have these been vacant and what are the plans for these two properties?

(Summary of Key Matters Discussed at the Twenty-Fourth Annual General Meeting held on 16 June 2020 – cont'd)

**Replies from Mr. Chan Puay Chai, the Chief Financial Officer**

1. There were delays in payments by some debtors in the first month of MCO but as businesses started to re-open, there were improvements in collections in the past few weeks. During the MCO period, the Company has introduced micro-financing to fund the IT ecosystem which was used to help the partners and resellers during this difficult and challenging period.
2. Questions 2 and 3 were answered together as there are interrelated. The market normal return for IT industry is about one per centum (1%) PAT. The outstanding performance in 2015 was mainly due to the surge of demand with the implementation of goods and services tax (“GST”) by the Malaysian Government in 2015. The market adjusted after the implementation of GST and the Company’s margin went back to its normal margin. The Company has adopted a set of strategies of moving towards the enterprise systems, service provider such as investing into ISATEC, as well as the e-commerce distribution channel, in order to enhance its performance.
3. Both properties had been vacant for more than a year and the properties were from settlement of debts from debtor for debt of about RM4.0 million. The Company intended to dispose both properties at the right price, however, due to the COVID-19 pandemic and the current weak property market condition, the Company has decided to put on hold until the market condition improved.

**1.0 AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND THE AUDITORS THEREON**

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The Chairman declared that the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon, be received.

**2.0 APPROVAL OF RESOLUTIONS**

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The Meeting resolved and approved the following resolutions at the Meeting by way of poll:-

**RESOLUTION 1  
RE-ELECTION OF MR. FOO SEN CHIN WHO RETIRED IN ACCORDANCE WITH CLAUSE 21.6 OF THE CONSTITUTION OF THE COMPANY**

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	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	<b>91,307,413</b>	<b>99.998</b>
<b>AGAINST</b>	<b>2,003</b>	<b>0.002</b>
<b>TOTAL</b>		<b>100.00</b>

**RESOLUTION 2  
RE-ELECTION OF MR. ONG WEI HIAM WHO RETIRED IN ACCORDANCE WITH CLAUSE 21.6 OF THE CONSTITUTION OF THE COMPANY**

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	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	<b>91,406,413</b>	<b>99.998</b>
<b>AGAINST</b>	<b>2,003</b>	<b>0.002</b>
<b>TOTAL</b>		<b>100.00</b>

(Summary of Key Matters Discussed at the Twenty-Fourth Annual General Meeting held on 16 June 2020 – cont'd)

**RESOLUTION 3**  
**RE-ELECTION OF DATO' KHOO SIN AIK WHO RETIRED IN ACCORDANCE WITH CLAUSE 21.10 OF THE CONSTITUTION OF THE COMPANY**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	91,406,413	99.998
<b>AGAINST</b>	2,003	0.002
<b>TOTAL</b>		100.00

**RESOLUTION 4**  
**RE-ELECTION OF ENCIK ABDUL AZIZ BIN ZAINAL ABIDIN WHO RETIRED IN ACCORDANCE WITH CLAUSE 21.10 OF THE CONSTITUTION OF THE COMPANY**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	91,406,413	99.998
<b>AGAINST</b>	2,003	0.002
<b>TOTAL</b>		100.00

**RESOLUTION 5**  
**PAYMENT OF DIRECTORS' FEES**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	91,300,813	99.981
<b>AGAINST</b>	17,603	0.019
<b>TOTAL</b>		100.00

**RESOLUTION 6**  
**RE-APPOINTMENT OF KPMG PLT AS AUDITORS OF THE COMPANY UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	91,407,413	99.999
<b>AGAINST</b>	1,003	0.001
<b>TOTAL</b>		100.00

**RESOLUTION 7**  
**SPECIAL BUSINESS:**  
**ORDINARY RESOLUTION NO. 1**  
**PAYMENT OF BENEFITS PAYABLE TO THE DIRECTORS UNDER SECTION 230 OF THE COMPANIES ACT 2016**

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	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	<b>91,299,913</b>	<b>99.980</b>
<b>AGAINST</b>	<b>18,503</b>	<b>0.020</b>
<b>TOTAL</b>		<b>100.00</b>

**RESOLUTION 8**  
**SPECIAL BUSINESS:**  
**ORDINARY RESOLUTION NO. 2**  
**AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	<b>91,391,913</b>	<b>99.972</b>
<b>AGAINST</b>	<b>25,503</b>	<b>0.028</b>
<b>TOTAL</b>		<b>100.00</b>

**RESOLUTION 9**  
**SPECIAL BUSINESS:**  
**ORDINARY RESOLUTION NO. 3**  
**PROPOSED RENEWAL OF SHARE BUY-BACK**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	<b>91,404,413</b>	<b>99.996</b>
<b>AGAINST</b>	<b>4,003</b>	<b>0.004</b>
<b>TOTAL</b>		<b>100.00</b>

**RESOLUTION 10**  
**SPECIAL BUSINESS:**  
**ORDINARY RESOLUTION 4**  
**PROPOSED NEW SHAREHOLDERS' MANDATE**

	No. of Shares Voted	
	No. of Shares	Percentage (%)
<b>IN FAVOUR</b>	<b>19,307,413</b>	<b>99.943</b>
<b>AGAINST</b>	<b>11,003</b>	<b>0.057</b>
<b>TOTAL</b>		<b>100.00</b>

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(Summary of Key Matters Discussed at the Twenty-Fourth Annual General Meeting held on 16 June 2020 – cont'd)

**TERMINATION**

The Meeting terminated at 12:00 noon with a vote of thanks to the Chairman.

SIGNED AS A CORRECT RECORD

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FOO SEN CHIN  
CHAIRMAN

Dated: