

VSTECS BERHAD

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-FIFTH (“25TH”) ANNUAL GENERAL MEETING (“AGM”) OF THE COMPANY HELD ON A FULLY VIRTUAL BASIS VIDE SECURITIES SERVICES E-PORTAL AT THE BROADCAST VENUE LOCATED AT THE TRAINING ROOM, VSTECS BERHAD, LOT 3, JALAN TEKNOLOGI 3/5, TAMAN SAINS SELANGOR, KOTA DAMANSARA, 47810 PETALING JAYA, SELANGOR DARUL EHSAN ON TUESDAY, 18 MAY 2021 AT 10:30 A.M.

DIRECTORS PRESENT AT BROADCAST VENUE	:	Mr. Foo Sen Chin (Chairman) Mr. Soong Jan Hsung Encik Abdul Aziz Bin Zainal Abidin
DIRECTORS WHO PARTICIPATED REMOTELY	:	Mr. Wong Heng Chong Dato’ Khoo Sin Aik Mr. Ong Wei Hiam
MEMBERS	:	As per Attendance List
PROXY HOLDERS	:	As per Attendance List
INVITEES	:	As per Attendance List
IN ATTENDANCE AT BROADCAST VENUE	:	Mr. Chan Puay Chai (Chief Financial Officer) Ms. Chua Siew Chuan (Company Secretary)
IN ATTENDANCE REMOTELY	:	Mr. Cheng Chia Ping (Company Secretary) Ms. Rachel Chong (Assisting the Company Secretary) Ms. Chen Kah Inn (Assisting the Company Secretary)

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 2020, Mr. Soong Jan Hsung (“**Mr. Soong**”), the Chief Executive Officer of the Company presented a short review of the Company’s 2020 performance and the key initiatives for 2021 which covered the following areas:-

- Business Snapshot;
- VSTECS’ Track Record;
- Financial Performance and Summary; and
- Key Initiatives and Strategies.

The Meeting noted on the following salient points:-

- Business Snapshot
 - The Company acts as the key technology enabler and provider in Malaysia. There are three major areas the Company entered into, namely:
 - (i) Information and Communications Technology (“**ICT**”) distribution,
 - (ii) Enterprise Systems; and
 - (iii) ICT services.
 - The four key pillars of VSTECS are:-
 - (a) Information and Communications Technology (“**ICT**”) distribution – Supports lifestyle technology;
 - (b) Enterprise Systems – Supports enterprise infrastructure;
 - (c) ICT services – Provision of system services and support; and
 - (d) Software and IT solutions via 40%-owned associate company, ISATEC Sdn. Bhd. (“**ISATEC**”) – Provision of enterprise solutions.

(Summary of Key Matters Discussed at the Twenty-Fifth Annual General Meeting held on 18 May 2021
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- VSTECS' Track Record

- Based on the VSTECS' 10-years track record, the Company is maintaining its profit margin over the years and consistently operating and executing its businesses and plans with the challenges and difficult market conditions.

- Financial Performance and Summary

- The Group recorded higher revenue of RM2.0 billion in 2020 as compared to RM1.8 billion for the preceding year. The 11.9% increase was mainly driven by the demand for end point devices.
- The Group recorded higher profit after taxation and minority interests (PATAMI) of RM36.8 million in 2020 as compared to RM29.6 million for the preceding year. The increase of 24.3% was mainly driven by the outpacing revenue increase within the Group.
- The Group recorded higher gross profit of RM106.0 million in 2020 as compared to RM93.0 million for the preceding year. The increase of 13.8% was mainly driven by the outpacing revenue increase within the Group.
- The Company maintained its dividend pay-out ratio at 30% and above, and the Company has declared a total dividend of 12.5 sen for the financial year ended 31 December 2020.
- The net asset per share of the Company was RM1.87 as at 31 December 2020.

- Key Initiatives 2021 and Strategies

- (a) ICT Distribution

- The Company is currently managing fifteen (15) online flagship stores at the e-commerce platforms e.g. Lazada and Shopee with opportunities to increase the number of online flagship stores with additional brands.
- To introduce more lifestyle and Internet of Things (IoT) products.
- To introduce 5G enabled devices upon the Government's announcement to launch 5G services in Malaysia.

- (b) Enterprise Systems

- To introduce products enhancing the workforce mobility and productivity while promoting the trend of work-from-home.
- With the Government's announcement on the MyDigital for the public sector, the demand of cloud services will increase so the Company intends to invest more into cloud services to align with the market trends.
- To explore more products addressing the data centre infrastructure and cybersecurity to meet the growing trend of the market.

- (c) ICT Services

- To acquire more managed services contracts for physical managed service or cloud managed services.
- To increase the implementation services with investment of resources and technical know-how to expand the implementation services' revenue stream.
- To ensure the engineers are well trained in supporting the resellers on the provision of hardware installation and maintenance.

- (d) Software Services

- With the trend of work-from-home which increases the demand of IT solutions and productivity tools, ISATEC plays a significant role in generating more enterprise solutions for the need of the enterprises.
- With the need of process automation, ISATEC provides the services of digitalising the work processes to be more automated for organisations to operate on work-from-home.

(Summary of Key Matters Discussed at the Twenty-Fifth Annual General Meeting held on 18 May 2021
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- With the data accumulated, artificial intelligence (AI) and business analytics will assist companies in generating required information for making strategies and decisions.

SUMMARY OF KEY MATTERS DISCUSSED AT THE 25TH AGM

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

Questions from Mr. Lew Tuck Wai

Q1. On page 10 of the Annual Report 2020, the CEO's Statement showed an increase in PATAMI margin from 1.4% in the financial year 2017 to 1.8% in the financial year 2020.

- (i) What are the reasons for the spike in PATAMI margin in particular from the financial year 2018 to the financial year 2020?
- (ii) Can the PATAMI margin be maintained for the financial year 2021?

A1. Mr. Soong responded as follows:-

- (i) The increase in the PATAMI margin from the financial year 2018 to the financial year 2020 was mainly due to the change of product mix in 2018 with higher contribution from enterprise products and services, which provided a better margin as compared to the financial year 2017.
- (ii) With the good cost control in the business operation, VSTECs managed to scale to higher revenue to achieve better profits since 2018. As per the financial summary presented earlier, for PATAMI margin of 1.4% in 2017 there was a continuous increase to 1.5% in 2018, 1.6% in 2019 and 1.8% in 2020. The Company believes that VSTECs would be able to maintain the PATAMI margin in 2021 with the current market demand for IT products and services.

Q2. On page 138 of the Annual Report 2020, the foreign currency exposure risk was approximately 27.3% of the Group's purchases priced in US Dollars (USD).

- (i) Apart from USD, what are other main foreign currencies the Company was exposed to? Please provide the currency exposure breakdowns.
- (ii) What is the impact on the strengthening and weakening USD versus Ringgit Malaysia (RM) taking into account your hedging policies?

A2. Mr. Chan Puay Chai ("**Mr. Chan**"), the Chief Financial Officer of the Company, responded as follows:-

- (i) The only foreign currency exposure to VSTECs is in USD. Most of the major vendors, e.g. Hewlett-Packard (HP) and Apple, have their local companies in Malaysia and hence the payment to them are made in RM. For the foreign vendors, e.g. International Business Machines Corporation (IBM) and Asus, they are paid in USD. Since most of the major vendors are paid in RM, the amount of payment in USD was relatively lower at only 27.3% of total business volume.
- (ii) VSTECs conducts daily hedging on USD-based purchase orders to fix their costs in RM so that its gross profit margin is maintained.

The Chairman commented in summary that VSTECs hedged forward the USD based on the account payables according to the credit term given by the vendors. VSTECs is well protected against the strengthening and weakening USD to minimise the exposure towards foreign currency risk.

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- Q3. On pages 126 to 127 of the Annual Report 2020 in respect of the Operating Segments, there was a decrease of Segments Assets for the Enterprise Systems segment from RM192 million in the financial year 2019 to RM167 million in the financial year 2020. What are the reasons for the increase in Segment Profit despite the decrease in Segment Assets?
- A3. The Chairman responded that from our business point of view, since the segment assets consisted mainly of inventories and debtors, there was no direct relationship between the amount of segment assets of the Enterprise Systems segment with the profit of that segment. A detailed response in relation to the question will be e-mailed to Mr. Lew Tuck Wai after the conclusion of the Meeting.

Question from Ms. Lim Li Hui

- Q1. The PATAMI margin has always been low (less than 2%) for the Company. In order to increase the PATAMI margin, the Company has to increase its revenue in the Enterprise Solutions (like clouds) and Software Services (like AI) which fetch a higher PATAMI margin as compared to the ICT distribution. Can you elaborate more on the Company's latest progress on these two (2) segments? What are the Company's strategies to increase revenue from these two (2) segments?
- A1. The Chairman thanked Ms. Lim Li Hui for the suggestion and then responded that VSTECS is always emphasizing on the enterprise solutions and software services to grow the said businesses to provide better margins and contribution.

Mr. Soong informed that VSTECS has been looking into cloud services and the potential of AI. We have already been providing cloud software and services over the years and recently we invested in a cloud service team to assist enterprises to set up their customised private clouds. On the other hand, in view that the data analytics is the predecessor of AI, the Company has invested in engineers on data analytics and AI to prepare VSTECS for these new technologies in the near future.

Question from Mr. Yong Joon Fah

- Q1. Is VSTECS providing door gifts to shareholders for attending this virtual AGM?
- A1. The Chairman responded that VSTECS has not provided any door gifts as a practice since its initial public offering (IPO) in 2010. The Company believes that the best form of reward to shareholders is through dividend payment.

Questions from Mr. Siew Kar Fong

- Q1. Are there any plans to fully acquire ISATEC to boost up VSTECS' performance?
- A1. The Chairman responded that the Company has no plan to fully acquire all the shares of ISATEC to boost VSTECS' results. With the 40% shareholding in ISATEC, VSTECS would like to retain the founders of ISATEC to continue to manage the growth of ISATEC to provide greater profit contribution to VSTECS. If ISATEC can grow steadily, it may have its initial public offering for the benefits of both parties.
- Q2. Other than ISATEC, what are VSTECS' strategies on expanding the Enterprise Systems segment as this is the division which generates the highest margin for the Group?
- A2. Mr. Soong responded that VSTECS is aware of the greater margin generated by enterprise systems segment and is continuously looking for new potential to boost up the said segment. With the trend of cloud services in terms of public, private or hybrid clouds, VSTECS is well equipped with engineers, sales and business development personnel to further develop the cloud services.

As informed earlier during the Meeting, data analytics as the predecessor of AI is also one of the main segments that VSTECS is working on. Nevertheless, cybersecurity also plays as an important segment as cases of ransomware by hackers have become rampant in the market. VSTECS has a

(Summary of Key Matters Discussed at the Twenty-Fifth Annual General Meeting held on 18 May 2021
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dedicated cybersecurity team to focus on generating more revenue. Mr. Soong added that in addition to the enterprise segment as the revenue and margin generator, the Company is putting more effort to increase the portfolio of products and services as well as the value-added features in relation to enterprise systems to grow this segment accordingly.

Q3. Do you have any visibility of the status of 5G plan announced by the Malaysian Government? What is the timeline for this?

A3. Mr. Soong responded that the latest news from the Malaysian Prime Minister in relation to the 5G plan was to launch the 5G plan by end of 2021. VSTECS is equipping itself with the 5G related devices and infrastructure in order to provide a full set of solution on tapping the 5G plan as the implementation of 5G plan would require many businesses to invest into the equipment, i.e. server, storage and networking. With the close relationship with its vendors, VSTECS is conscientiously looking into the 5G-enabled products to be brought into Malaysia when the 5G plan is launched in Malaysia.

Q4. Referring to Note 13 of the financial statements, what is the status of assets held for sales and what is the reason for it being held for sale?

A4. The Chairman responded that the assets held for sales involved two (2) units of semi-detached industrial lots located at the Glenmarie, Shah Alam. The assets was a contra for an amount owed by a debtor to VSTECS.

Mr. Chan further informed that maintaining the property is not the principal activities of VSTECS and holding the properties also required maintenance costs. With the ongoing COVID-19 pandemic and the weak property market, after due consideration, the Company decided to dispose the properties at a total consideration of RM9.0 million. This will allow the Company to focus on its main businesses. The disposal of properties was completed as at the first quarter ended 31 March 2021.

Q5. How did the Company reward to retain talents given such a good achievement in the financial year 2020?

A5. The Chairman responded that talent retention is always a challenge for every company. In addition to monetary rewards, VSTECS also provides other benefits such as career advancement and conducive working environment. We always ensure that the Company has a fair and rewarding system to recognise employee's achievement and contribution. Besides sales commission, VSTECS has an annual performance incentive scheme for all the sales and marketing personnel.

Question from Mr. Chua Song Yun

Q1. How many percent of VSTECS' ICT Distribution segment revenue is generated from online sales in financial year 2019 and financial year 2020? Did VSTECS enjoyed higher margin through this channel?

A1. The Chairman responded that there are two (2) types of businesses for the e-commerce platforms, namely Business-to-Business ("**B2B**") and Business-to-Consumer ("**B2C**"). In 2020, the B2B and B2C online sales generated a total revenue of about RM110.0 million. Although the prices are always very competitive in the e-commerce platform, the online businesses are more cost effective operating all-day with minimal staff support to generate better returns.

Mr. Soong further informed that the Company foresees that the trend of online businesses to continue even after the Movement Control Order is fully lifted. According to the market analysis, many of the consumers especially the youngsters are comfortable to purchase through e-commerce platform. The Management is enhancing the online businesses by allocating more variety of stocks for the online shoppers to grow this segment.

(Summary of Key Matters Discussed at the Twenty-Fifth Annual General Meeting held on 18 May 2021
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Question from Mr. Chua Teck Hang

Q1. Are you facing any supply issues from vendors at the moment?

A1. Mr. Soong responded that all the business sectors which require electronic components are facing global supply chain issues due to shortage of integrated circuits or chips for the manufacturing of products and equipment. VSTECs is managing its supply chain using its close relationship with many of its vendors, and being the largest ICT distributor in Malaysia, most of the vendors are allocating more stocks to fulfil our backlog of orders. The supply shortage issue is expected to remain for the rest of 2021.

1.0 AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND THE AUDITORS THEREON

The Chairman declared that the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon, be received.

2.0 APPROVAL OF RESOLUTIONS

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

RESOLUTION 1

RE-ELECTION OF MR. SOONG JAN HSUNG WHO RETIRED IN ACCORDANCE WITH CLAUSE 21.6 OF THE CONSTITUTION OF THE COMPANY

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	116,017,287	99.9984
AGAINST	1,900	0.0016
TOTAL		100.00

RESOLUTION 2

RE-ELECTION OF MR. WONG HENG CHONG WHO RETIRED IN ACCORDANCE WITH CLAUSE 21.6 OF THE CONSTITUTION OF THE COMPANY

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	114,521,234	98.5178
AGAINST	1,722,953	1.4822
TOTAL		100.00

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RESOLUTION 3
PAYMENT OF DIRECTORS' FEES

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	115,906,379	99.9881
AGAINST	13,808	0.0119
TOTAL		100.00

RESOLUTION 4
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 (%)
IN FAVOUR	116,242,581	99.9986
AGAINST	1,606	0.0014
TOTAL		100.00

RESOLUTION 5
SPECIAL BUSINESS:
ORDINARY RESOLUTION NO. 1
RETENTION OF MR. WONG HENG CHONG AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	116,242,081	99.9982
AGAINST	2,106	0.0018
TOTAL		100.00

RESOLUTION 6
SPECIAL BUSINESS:
ORDINARY RESOLUTION NO. 2
PAYMENT OF BENEFITS PAYABLE TO THE DIRECTORS UNDER SECTION 230 OF THE COMPANIES ACT 2016

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	115,905,273	99.9871
AGAINST	14,911	0.0129
TOTAL		100.00

(Summary of Key Matters Discussed at the Twenty-Fifth Annual General Meeting held on 18 May 2021
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RESOLUTION 7
SPECIAL BUSINESS:
ORDINARY RESOLUTION NO. 3
AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	116,212,679	99.9760
AGAINST	27,908	0.0240
TOTAL		100.00

RESOLUTION 8
SPECIAL BUSINESS:
ORDINARY RESOLUTION NO. 4
PROPOSED RENEWAL OF SHARE BUY-BACK

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	116,227,985	99.9861
AGAINST	16,202	0.0139
TOTAL		100.00

RESOLUTION 9
SPECIAL BUSINESS:
ORDINARY RESOLUTION 5
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

	No. of Shares Voted	
	No. of Shares	Percentage (%)
IN FAVOUR	43,827,285	99.9756
AGAINST	10,702	0.0244
TOTAL		100.00

TERMINATION

There being no other business to be transacted, the Chairman concluded the Meeting at 12:00 noon. and thanked all present for their attendance.